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THE SITUATION IN THE MIDDLE EAST

SECURITY COUNCIL
Fifty-second year

Letter dated 18 February 1997 from the Permanent Representative of Lebanon to the United Nations addressed to the Secretary-General

On instructions from my Government and further to our earlier letters concerning Israel's attacks on southern Lebanon and the Western Bekaa and the arbitrary practices against the civilian inhabitants in which it engages on a daily basis, I have the honour to notify you of the series of such incidents that took place in January 1997.

2 January 1997

At 1100 hours outlying areas of Zibqin and Jibal al-Butm came under Israeli artillery fire.

Between 1630 and 1730 hours the Mlita and Jabal Safi hills, outlying areas of Ayn Bu Siwar, Jarju' and Luwayzah and areas along the Nab' al-Tasah came under Israeli artillery fire.

3 January 1997

At 0800 hours outlying areas of Arabsalim, Jarju', Ayn Bu Siwar and Jba' and the Mlita and Jabal Safi hills came under artillery fire from Israeli positions in the border strip.

At 1000 hours Israeli warplanes attacked Luwayzah and the Mlita and Jabal Safi hills, while the artillery bombardment of the Iqlim al-Tuffah area continued.

At 1110 hours Israeli warplanes overflew Sidon at high altitude.

4 January 1997

At 1250 hours outlying areas of Luwayzah and Jarju' and the Mlita and Jabal Safi hills came under Israeli artillery fire.

At 1415 hours Israeli warplanes attacked the Mlita and Jabal Safi hills while the Israeli artillery bombardment of the Iqlim al-Tuffah area continued.

At 1610 and 1640 hours Israeli warplanes attacked the Mlita and Jabal Safi hills and overflew the Iqlim al-Tuffah area while the artillery bombardment of the same area continued. It also affected Ayn Qana, Ayn Bu Siwar and Luwayzah. The bombardment and hostile overflights of the area continued until 1830 hours.

5 January 1997

At 0730 hours outlying areas of Jba' came under Israeli artillery fire. An artillery shell fell in the centre of Ayn Qana, on the main street, and caused serious damage to two dwellings.

At 1110 hours outlying areas of Zibqin and Jibal al-Butm and the Asi and Jabal al-Kabir area of Tyre district came under Israeli artillery fire.

At 1220 hours Israeli warplanes bombarded outlying areas of Jibal al-Butm.

At 1600 hours outlying areas of Kafra, Yatar and Haddatha in Bint Jubayl district came under Israeli artillery fire.

At 1615 hours the Ayn al-Tinah mountain range in the Western Bekaa district came under artillery fire from Israeli and Lahad forces positions. It continued until 1830 hours.

At 2000 hours outlying areas of Luwayzah, Ayn Qana and Jarju' and areas along the Zahrani river in the Iqlim al-Tuffah area came under Israeli artillery fire.

6 January 1997

At 1200 hours outlying areas of Jba', Jarju', Ayn Qana, Ayn Bu Siwar and Arabsalim and the Mlita and Jabal Safi hills came under Israeli artillery fire.

7 January 1997

At 0730 hours outlying areas of Jba', Jarju', Ayn Bu Siwar, Luwayzah and Arabsalim and the Mlita and Jabal Safi hills came under Israeli artillery fire.

At 1445 hours outlying areas of Ayn Bu Siwar, Arabsalim and Jarju' and the Jarji'-Luwayzah highway came under Israeli artillery fire.

8 January 1997

At 0430 hours Israeli forces fired on the fishing vessel Nuh 1187, which had two Lebanese on board, one aged 15 and the other 18, from a gunboat off the

coast of Ma'liyah in Tyre district. The Israeli gunboat then proceeded to ram the vessel, causing it serious damage.

At 0600 hours the Abu Rashid and Bi'r al-Zahr hills in the vicinity of Zillaya and Libbaya and areas along the Litani river came under Israeli artillery fire. This was accompanied by overflights of the area by Israeli helicopters that continued until 1140 hours.

At 0915 hours outlying areas of Maydun and Ayn al-Tinah came under Israeli artillery fire.

At 1815 hours outlying areas of Shukin, Mayfadun and Qa'qa'iyat al-Jisr came under Israeli artillery fire.

At 2100 hours Kafra and Yatar and outlying areas came under Israeli artillery fire.

9 January 1997

At 1700 hours personnel of the United Nations Interim Force in Lebanon brought three bodies to Tibnin Government Hospital.

At 2310 hours the hills surrounding Libbaya in Western Bekaa district came under artillery fire from Israeli and Lahad militia positions.

10 January 1997

At 0800 hours Israeli forces fired a number of bursts in various directions from a gunboat in Lebanese territorial waters off the coast of Mansuri in Tyre district.

At 1500 hours outlying areas of Tibnin, Sultaniyah, Haris, Ayta al-Jabal and Haddatha in Bint Jubayl district came under Israeli artillery fire.

11 January 1997

At 0830 hours Nabatiyah al-Fawqa came under sniper fire from Israeli positions on the hills opposite. A civilian vehicle belonging to Dr. Izzat Abd al-Hamid Ghandur, director of Ghandur Hospital, was hit.

At 1230 hours a shell coming from Israeli positions in the border strip fell near a drinking-water well in the town of Suhmur in Western Bekaa district.

At 1430 hours the hills surrounding Libbaya, Qilya and Zillaya in Western Bekaa district came under artillery fire from Israeli and Lahad forces positions in the border strip.

13 January 1997

At 0900 hours Israeli warplanes overflew the Iqlim al-Tuffah and Nabatiyah areas.

At 1325 hours Israeli warplanes overflew the Tyre area at medium altitude.

14 January 1997

At 0730 hours outlying areas of Jba', Jarju', Ayn Bu Siwar and Arabsalim and the Mlita and Jabal Safi hills came under Israeli artillery fire. It recommenced at 0830 hours and finally halted at 1230 hours.

At 1830 hours outlying areas of Zawtar al-Sharqiyah and Zawtar al-Gharbiyah came under Israeli artillery fire.

15 January 1997

At 0845 hours the hills to the south of Mashgharah and Ayn al-Tinah came under Israeli artillery fire.

16 January 1997

At 1200 hours occupation forces prevented the entry of a Lebanese truck that was accompanied by an International Committee of the Red Cross convoy and carrying some 150 ration allotments destined for Markaba, a town in Marj Uyun district that is encircled by occupation forces. This forced the truck to return to Nabatiyah.

At 1230 hours outlying areas of Bra'shit, Tibnin, Haddatha and Ayta al-Jabal came under Israeli artillery fire.

19 January 1997

At 0845 hours Israeli warplanes overflew the Nabatiyah area and carried out low-level mock attacks. This continued until 0300 hours on 20 January 1997.

20 January 1997

At 1200 hours outlying areas of Shaqra, Haddatha, Ayta al-Jabal, Bra'shit and Tibnin came under Israeli artillery fire.

At 1830 hours Israeli warplanes overflew Tyre at low altitude.

At 2145 hours Israeli warplanes overflew the Nabatiyah area.

21 January 1997

At 0745 hours Israeli warplanes overflew the Nabatiyah area.

At 1300 hours Israeli warplanes overflew the Tyre area.

27 January 1997

At 1630 hours a landmine was detonated by a herd of goats in an outlying area of Ayn al-Mir in Jazzin district. The Lahad militia then strafed the area with machine-guns for half an hour.

At 2220 hours the hills to the east of Qilya in Western Bekaa district came under artillery fire from Israeli and Lahad forces positions.

28 January 1997

At 0615 hours outlying areas of Nabatiyah al-Fawqa came under Israeli artillery fire.

At 0830 hours outlying areas of Tibnin, Ayta al-Jabal, Haddatha, Shaqra and Bra'shit in Bint Jubayl district came under Israeli artillery fire.

At 1230 hours Israeli warplanes overflew the Tyre area. The overflights continued until 1240 hours.

29 January 1997

At 1340 hours Israeli warplanes carried out a two-stage attack on the Mlita and Jabal Safi hills and highlands in the Iqlim al-Tuffah area.

31 January 1997

At 1940 hours Israeli helicopters overflew the Iqlim al-Tuffah area at low altitude and strafed areas along the Nab' al-Tasah and outlying areas of Arabsalim and Jarju' with machine-guns.

At 2245 hours the Abu Rashid mountain range in Western Bekaa district came under Israeli artillery fire.

The Lebanese Government strongly condemns the continued Israeli occupation and these fresh attacks and arbitrary practices inflicted on the Lebanese population, which have left a number of casualties and have caused further serious damage to property.

Like previous attacks, this new series is in flagrant violation of the sovereignty and independence of Lebanon and constitutes a breach of the purposes and principles of the Charter of the United Nations, of international law and of basic human rights.

I should be grateful if you would have this letter circulated as a document of the General Assembly, under agenda item 33, and of the Security Council.

(Signed) Samir MOUBARAK
Ambassador
Permanent Representative

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REPORT OF THE SECRETARY-GENERAL ON THE ACTIVITIES OF THE OFFICE OF INTERNAL OVERSIGHT SERVICES

Enhancing the internal oversight mechanisms in operational funds and programmes

Report of the Secretary-General

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I. INTRODUCTION

1. The present report has been produced, at the request of the Secretary-General, by the Office of Internal Oversight Services in response to the General Assembly's request for a detailed report by the Secretary-General containing recommendations on the implementation of General Assembly resolution 48/218 B of 29 July 1994 as it pertains to the internal oversight functions of the United Nations operational funds and programmes.

2. In pursuing this mandate, the Office contacted the funds and programmes to obtain information about their internal oversight mechanisms. In this context, OIOS has identified organizational structures and procedures established by the funds or programmes, or provided to them by the Office, which enable them to exercise internal oversight to varying degrees. This identification or stock taking of internal oversight in the funds and programmes was the first step in a process leading to the eight recommendations contained in paragraphs 44 to 51 of the present report. These recommendations suggest methods by which the Office can assist funds and programmes in enhancing their internal oversight mechanisms, as called for by the General Assembly in paragraph 11 of resolution 48/218 B. They have been drafted with a view towards enabling the Assembly to formulate a policy to be implemented by the governing bodies of the funds and programmes in question with regard to their oversight functions. They are made without prejudice to the independent authority of the Office of Internal Oversight Services under resolution 48/218 B to fulfil its responsibilities.

3. The Office has made every effort to actively involve all concerned entities in the different stages of the stock taking. To reinforce the accuracy of the observations, broaden the perspective of the analysis and corroborate the soundness of the recommendations, surveyed funds and programmes, and external entities were involved in the information gathering and verification process as well as the analysis of findings.

4. From January to December 1996, the Office, with the involvement of the Secretary-General and all executive heads, held consultations with the governing bodies of the funds and programmes, as requested by the General Assembly in paragraph 11 of resolution 48/218 B. In two cases where no formal meeting of a governing body was scheduled during 1996 (United Nations Centre for Human Settlements (UNCHS)/Habitat and the United Nations Environment Programme (UNEP)), informal consultations were carried out by the executive heads of these agencies, and all members of the governing bodies in question were given the opportunity, via mail poll, to comment on the draft report (for details on the consultation process see annex IV). The present report takes account of the result of those consultations as well as of pertinent developments which have emerged since the report was first issued in draft form.

5. While the present report was being prepared, several funds and programmes took measures to enhance their internal oversight services by establishing new, or restructuring their existing, internal oversight functions, or by initiating a closer cooperation with the Office. For example, the Governing Council of UNEP, in its decision 18/46 of 25 May 1995, expressed its desire to work closely with the Office and requested the Executive Director to formulate and enact, in

consultation with the Office, a specific plan of action to prevent waste, fraud and mismanagement. The Secretary-General welcomes these developments as they confirm that funds and programmes have recognized the necessity to strengthen their internal oversight functions. The Office, in acknowledging the evolving nature of the United Nations system, does not attempt to offer a definitive picture of recent developments but only seeks to indicate current trends.

II. SCOPE

6. The present report considers the following operational funds and programmes:

- International Trade Centre (ITC);
- United Nations Habitat and Human Settlement Foundation (UNCHS/Habitat);
- Fund of the United Nations International Drug Control Programme (UNDCP);
- United Nations Development Programme (UNDP);
- Fund of the United Nations Environment Programme (UNEP);
- United Nations Population Fund (UNFPA);
- Voluntary funds administered by the Office of the United Nations High Commissioner for Refugees (UNHCR);
- United Nations Children's Fund (UNICEF);
- United Nations Institute for Training and Research (UNITAR);
- United Nations Office of Project Services (UNOPS);
- United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA);
- United Nations University (UNU);
- World Food Programme (WFP).

7. The legal status of these funds and programmes has been defined by or with the involvement of the General Assembly, and their executive heads are appointed by, or with the involvement of the Secretary-General. Furthermore, with the exception of the World Food Programme, they are all audited by the United Nations Board of Auditors.

8. Entities which are fully financed by the regular budget of the United Nations, such as the United Nations Conference on Trade and Development (UNCTAD), and those such as the International Research and Training Institute

for the Advancement of Women (INSTRAW), the United Nations Research Institute for Social Development (UNRISD) and the United Nations Institute for Disarmament Research (UNIDIR), which are financed by the trust funds administered by the United Nations, and hence are fully provided with internal oversight services of the Office of Internal Oversight Services, have not been addressed in the present report. Similarly, the United Nations Capital Development Fund, the United Nations Development Fund for Women (UNIFEM) and the United Nations Volunteers, which are financed by the trust funds administered by UNDP are considered as part of UNDP for purposes of the present report.

9. Under current arrangements, the Office of Internal Oversight Services provides all or part of the internal oversight services to the following funds and programmes: ITC, UNITAR, UNRWA, UNU, voluntary funds of UNHCR, Fund of UNEP, UNCHS/Habitat and Fund of UNDCP. Funds and programmes whose internal oversight functions are at present provided largely separate from OIOS are: UNDP, UNICEF, UNFPA, UNOPS and WFP.

III. METHODOLOGY

10. With a view to fulfilling the mandate laid down in paragraph 11 of General Assembly resolution 48/218 B, the resolution was analysed to extract those elements which defined the internal oversight function. A model of the internal oversight function was then developed which could be extended to the funds and programmes.

11. A questionnaire was then prepared and was sent in June 1995 to all entities concerned to obtain information which would allow the formulation of conclusions about the current status of internal oversight in the target funds and programmes.

12. Upon receipt of the replies to the questionnaire, the data were catalogued and verified with each fund and programme by the end of September 1995. Another verification of the data and update, where appropriate, was carried out in September 1996. Taking into account that individual operational funds and programmes have differing but equally viable organizational arrangements, the provision of oversight services was analysed with regard to:

(a) Adequacy, effectiveness and efficiency of services:

- Adequacy of oversight responsibilities with respect to execution of all components of the oversight function (audit, evaluation, monitoring and inspection, investigation);

- Adequacy of personnel and budgetary resources;

- Effectiveness of internal monitoring of the implementation of recommendations;

- Efficiency of oversight services through coordination among oversight functions;

- Effectiveness of designated organizational entity/person to receive allegations of waste, fraud and mismanagement;

- Adequacy of protection of staff members who make allegations/ report misconduct;

(b) Independence of oversight functions:

- Operational independence guaranteed by the organizational structure;

(c) Accountability to governing body:

- Accountability through regular, informative reports on developments of the oversight responsibilities with specific emphasis on reporting present findings as well as the implementation status of previous recommendations deriving from internal audits, evaluations, monitoring, inspections and investigations.

13. Finally, based on the analysis, certain recommendations were developed to enhance the oversight functions of the funds and programmes.

IV. ANALYSIS

A. Audit

14. The survey disclosed that all operational funds and programmes have long-established audit functions with a clearly defined scope of work. As one would expect, the quantity and scope of audits varies with the size and objectives of the funds and programmes. One common characteristic seems to be the pronounced emphasis on management and programme audits over financial statement audits, which fall traditionally in the domain of external auditors.

15. Though some units have been reorganized as recently as 1992 (and the Office of Internal Oversight Services itself was established in 1994), the organizational structure, reporting lines and internal reporting procedures were in all cases clearly defined. Audit services are generally provided by the Office of Internal Oversight Services to funds and programmes financed through the regular United Nations budget. In addition, the Office provides audit services to activities financed from sources outside the regular budget (ITC, UNCHS/Habitat, UNDCP, UNEP, UNHCR) through separately funded arrangements. The Office communicates findings and recommendations of internal audits to the audited entity and follows up on the implementation of audit recommendations.

16. Within all operational funds and programmes that have audit units separate from the Office, audit units report to the office of the executive head. The organizational arrangement that brings audit under the authority of the executive or the assistant executive head is in some cases the result of relatively recent reorganizations. These efforts towards reorganization reflect the common understanding that in order to provide objective, impartial and candid assessments, the audit unit has to be granted an adequate measure of operational independence from the entities subject to its scrutiny. In other

words, the audit function is to be divorced as much as possible from the administration of the entity.

17. In addition to the organizational structure, the survey looked at financial and human resources committed to the audit and evaluation functions. The commitment of resources should be viewed in the context of the operational scope of a fund or programme as this is the major determining factor for the allocation of resources for oversight services. From a general perspective, the commitment of financial resources to audit services is on average slightly higher than for evaluation services.[1] It can be observed as a general principle that operational funds and programmes extensively involved in humanitarian relief (e.g. UNHCR) have higher audit than evaluation budgets. In contrast, funds and programmes primarily concerned with strategic or long-term programmes and projects (UNICEF, ITC, UNFPA) are likely to have comparatively higher expenditure on evaluations.[2] Given the nature of humanitarian relief work, characterized by the necessity to respond to emergencies within an extremely short time-frame, and often involving substantial cash transfers to geographically remote areas, the need for forceful audit entities is apparent.

18. The Office of Internal Oversight Services is committed to employing its resources in the most efficient manner without compromising the integrity of its service. In particular, it will sound out the possibility of cooperation with audit services of United Nations operational funds, programmes and specialized agencies which are present in regions where it is engaged. The Office is willing to provide services for other members of the United Nations system, but will also rely on services provided more cost-efficiently by other entities as long as adherence to the standards of the Office is guaranteed. However, in view of the limited staff resources and financial constraints currently existing in the funds and programmes, such an arrangement does not seem feasible at this time.

B. Evaluation

19. Similar to audit, evaluation units are well established within all surveyed funds and programmes. However, the organizational structures are more diverse than in the case of audit. Within several funds and programmes, evaluation constitutes an integral part of the oversight function (UNCHS/Habitat, ITC, UNHCR, UNICEF, WFP), while in others (UNEP, UNDCP, UNDP, UNFPA) evaluation is integrated in the strategic planning process. Other organizational arrangements include the merging of evaluation and inspection functions (UNHCR), combining the evaluation unit with a research office (UNICEF) or pairing evaluation and monitoring functions (UNICEF, UNDP). UNHCR is also a good example of the diversity of the evaluation function. The agency was subject to an in-depth evaluation by the Committee for Programme and Coordination (CPC) in 1993 on the basis of an evaluation report by what is now the Central Evaluation Unit of the Office of Internal Oversight Services. Besides, the agency has had its own in-house evaluation function with a focus not only on field projects, but increasingly on broader policy issues such as urban refugees, institution-building, and staff security and stress, which complement the evaluation as performed by the Office. All these organizational arrangements are equally viable and reflect the differing focuses of the individual entities. An entity

that combines evaluation with inspection is more likely to view evaluation as a periodic but ad hoc procedure, while the philosophy underlying the integration of monitoring and evaluation stresses the continuity of the evaluation process.

20. With regard to financial resources committed to evaluation functions, those funds and programmes with long-term commitments or a strategic agenda (ITC, UNEP, UNDCP, UNICEF, UNFPA) have relatively high evaluation expenditure ratios, reflecting their need to evaluate programmes and cooperation projects to determine their effectiveness and efficiency. On the other hand, relief operations have received a lower level of expenditure as evaluations against set targets seem to have a more limited application in an emergency setting, though important "lessons learned" can and should also be derived from the evaluation of performance in this environment.

C. Monitoring

21. The monitoring function within OIOS is described in Secretary-General's bulletin ST/SGB/273 as providing assistance "in implementing the provisions of article V of the Regulations and Rules Governing Programme Planning, the Programme Aspects of the Budget, the Monitoring and Implementation and the Methods of Evaluation on monitoring of programme implementation. The Office shall also ensure that monitoring and self-evaluation are viewed as an integral part of managerial responsibility for the efficiency and effectiveness of programme performance."

22. The survey indicated the existence of monitoring units in some funds and programmes whereas in others monitoring tasks are currently accomplished through other organizational units (e.g. evaluation) or are integrated into managerial functions. In general, it is not viewed as necessary that each organizational fund or programme establish a monitoring unit. In particular, smaller entities or entities with a limited operational scope would not derive a substantial benefit from a monitoring unit. Establishing a new unit could simply lead to the diversion of scarce resources. Instead, the Office will continue to promote the development and strengthening of the monitoring and self-evaluation functions as a managerial responsibility and stands ready to provide assistance with this task in a proactive manner.

23. Together with the Department of Administration and Management, the Office has embarked upon an effort to simplify programme monitoring and evaluation, including reporting to legislative bodies, with a view to transforming it from what is perceived as a cumbersome procedure of mere quantitative reporting to oversight bodies into a meaningful and effective tool for managers to review the performance of the function for which they are responsible. This reform effort will be carried out on the basis of the Regulations and Rules Governing Programme Planning, the Programme Aspects of the Budget, the Monitoring and Implementation and the Methods of Evaluation (PPBME rules). It will encompass all entities within the global Secretariat as well as those funds and programmes which have so far participated in the central programme performance monitoring and reporting exercise.

D. Inspection

24. In the mandate of the Office of Internal Oversight Services, the scope of inspections is defined as "ad hoc inspections of programme and organizational units whenever there are sufficient reasons to believe that programme oversight is ineffective and that the potential for the non-attainment of the objectives and the waste of resources is great ... These inspections shall recommend to management corrective measures and adjustments as appropriate." Organizationally, the inspection function in the Office is part of the Monitoring and Inspection Unit, while the current arrangement in most funds and programmes gives the audit unit responsibility for inspections. The Office is concerned that the latter arrangement might prove inadequate in certain cases where specialized knowledge of inspectors is necessary or where resources from audit cannot be shifted quickly enough to address ad hoc inspection requirements. To address this concern, a "rapid reaction force" within the audit unit could be formally designated and trained to deal with ad hoc inspections.

25. In addition, in order to ensure inspection coverage throughout the Organization, the Office stands ready to cooperate with the funds and programmes, should they decide to call on its inspection team rather than establishing a permanent inspection unit.

E. Investigation

26. The Investigations Section of the Office of Internal Oversight Services was established to perform three general functions: to "investigate reports of violations of United Nations regulations, rules and pertinent administrative issuances and transmit to the Secretary-General the results of such investigations together with appropriate recommendations"; to "focus on assessing the potential within programme areas for fraud and violations ... in high-risk operations as well as offices away from headquarters"; and to "receive and investigate reports from staff and other persons engaged in activities under the authority of the Organization suggesting improvements in programme delivery and reporting perceived cases of possible violations of rules or regulations, mismanagement, misconduct, waste of resources or abuse of authority ... [S]taff members and others can make directly to the Office suggestions and reports which shall be received and handled in complete confidence" (emphasis added; see ST/SGB/273, paras. 16-18).

27. Of the surveyed funds and programmes, only WFP has established a unit that will carry out functions similar to those described above. The Office of Inspection and Investigation in the Office of the Executive Director was created in July 1995, and submitted its first annual report to the Executive Board in October 1996. While this initiative is noted, it is suggested that procedures, like those in place for the Office of Internal Oversight Services, should be established and publicized to ensure the confidential treatment for those who submit suggestions and reports to the Office of the Executive Director. The chosen organizational structure of that Office, that is, bringing into it the investigation unit, should provide an adequate measure of operational

independence, integrity and credibility, although consideration must be given to a direct reporting relationship with the governing body as well.

28. All of the other operational funds and programmes do not have a separate investigative unit. Under current arrangements, the Office of Internal Oversight Services will provide investigative services to all of these funds and programmes as necessary. However, if the Office is to provide effective coverage in this area, it will be necessary to designate additional resources from extrabudgetary sources to the budget of the Investigations Section for posts and travel. Such an arrangement would avoid adding significant overhead costs associated with establishing new units and guarantee the implementation of unified and equally professional standards among the participating agencies.

29. Based on the experience which the Office has accumulated to date, several additional posts, plus adequate travel funds, would be required to cover the additional workload in the area of investigations. The financial burden of these expenses would have to be shared among the participating agencies, i.e. those funds and programmes without an investigations unit of their own and to whom the Office would provide these services. The different size of respective annual budgets would have to be taken into account under this arrangement. In order to account for the actual usage of services of the Office during a given year, a reassessment of the cost sharing would have to be carried out at the end of each budget year.

30. If any entity should decide that an investigation unit must be created internally, organizational structures have to be put in place that ensure the operational independence of the new unit. The investigation unit could be placed in the Office of the Executive Head and report to the governing body to guarantee impartial investigation services. In this event, the unit would have to be staffed with a sufficient number of trained, professional investigators and develop procedures which ensure confidential reporting of information with protection afforded both to those who make reports in good faith and to those who are the subjects of reports.

31. Additionally, the unit would need to develop and implement transparent terms of reference and an operating manual so that both the investigators and the other staff of the agency are made fully cognizant of the authority, jurisdiction, responsibilities, reporting relationships (notably to the head of the agency) and procedures of the investigation office.

32. The Investigations Section of the Office stands ready to work with those funds and programmes that are planning to establish investigative units. This service could be consultative, providing advice on the structuring and requirements of such a unit and sharing information on the development of internal systems, procedures and controls.

F. Coordination among oversight functions

33. In addition to surveying the organizational structure and scope of work of the individual oversight functions, an attempt has been made in the present study to identify successful measures to enhance the cooperation among internal

oversight functions. Cooperation between oversight units can contribute to greater cost-efficiency and create synergies. Consequently, close cooperative ties should be maintained among these functions as well as with functions that are often related to the oversight function but may be organizationally located in a different functional entity (e.g., in strategic planning).

34. The study of the operational funds and programmes revealed little evidence that the cooperation among oversight units is approached in a systematic or even institutionalized fashion. Rather, cooperation is generally based on informal meetings. Diverse arrangements with varying degrees of institutionalization can be envisioned to coordinate the functioning of the oversight services. All funds and programmes that have not already done so should establish meetings to be attended by the heads or deputy heads of all oversight units including evaluation and potentially strategic planning. These meetings should be held at least monthly to discuss oversight issues of common interest and exchange relevant information.

35. Distinctive deviations from this general scheme exist within UNHCR and WFP, where internal audit committees[3] coordinate the general oversight process, and in UNDP, where a Management Review/Oversight Committee has been established recently. The purpose of that committee, according to its terms of reference, is to facilitate the process which provides the Administrator, and through him/her the Executive Board, with assurance that UNDP's accountability framework is operating effectively. The committee will meet formally four times each year to review, inter alia, long-term and annual plans for internal audit, review, self-assessment and evaluation of UNDP activities; to review the summary results of audits, reviews, control self-assessments and evaluations; and to review compliance with oversight recommendations. The Under-Secretary-General for Internal Oversight Services has been invited by the UNDP Administrator to become a permanent member of the committee and to participate in the meetings.

36. From an oversight perspective, the UNDP arrangement can be seen as a model which should, mutatis mutandis, be institutionalized in all larger funds and programmes. This would allow the Office of Internal Oversight Services to play a proactive role in coordinating and in promoting unified and equally high standards of oversight throughout the Organization.

G. Monitoring of implementation of recommendations

37. The effectiveness of internal oversight services can be dramatically enhanced by instituting effective procedures for monitoring the implementation of recommendations. Currently, the Office has one Compliance Officer in the Office of the Under-Secretary-General, responsible for the coordination of monitoring the status of the implementation of recommendations. The Office prepares a semi-annual report on the implementation of recommendations and the status of compliance with earlier recommendations by those entities that come under the authority of the Secretary-General. This internal report is submitted to the Secretary-General.

38. Implementation of agreed recommendations should be verified by the relevant internal oversight personnel. All funds and programmes have stressed that

implementation of recommendations is monitored during subsequent reviews. This procedure can be enhanced by continuing the dialogue established with the addressee during the review process until all the recommendations are implemented. Therefore, it is strongly recommended that funds and programmes with independent oversight functions develop a mechanism for continually monitoring the implementation of recommendations. In addition, clear procedures should be established to address non-compliance with an approved implementation schedule and reporting to the executive head on the status of implementation of recommendations.

H. Reporting procedures

39. Closely related to monitoring implementation is the procedure for reporting to intergovernmental bodies on findings and the implementation status of previous recommendations. This procedure demonstrates to the intergovernmental body and other interested parties that the organization itself is constantly striving to use its resources effectively and efficiently.

40. The Office of Internal Oversight Services submits to the Secretary-General for transmittal to the General Assembly an annual analytical and summary report on its activities. This annual report includes, inter alia, a description of significant findings and recommendations for corrective action made by the Office during the reporting period and an identification of each significant recommendation in previous reports on which corrective action has not been completed (ST/SGB/273, para. 28).

41. The present review has found that most of the oversight functions of the funds and programmes are lacking adequate reporting procedures as also noted by the Joint Inspection Unit in their report entitled "Accountability, management improvement and oversight in the United Nations system" (A/50/503/Add.1). Although oversight issues, in particular reports by the Board of External Auditors, are frequently or even regularly (e.g., UNHCR) on the agendas of governing bodies, reports from internal oversight units are not given the prominence and attention they require in order for an independent internal oversight to be effective. It is therefore recommended that the reporting procedures of funds and programmes follow similar lines as established for reports of the Office to the General Assembly (see paragraph 5 (e) of resolution 48/218 B). The internal oversight units, in particular the audit units, should be authorized to submit, through their respective executive heads, periodic comprehensive reports and ad hoc reports on specific issues to their governing bodies. Likewise, if the Office provides internal oversight functions or reviews to a particular fund or programme, reports emanating from this should also be made available to the respective governing body by the executive head upon request from the Under-Secretary-General for Internal Oversight Services together with the comments of the executive head, as appropriate. In the case of UNRWA, which reports directly to the General Assembly and has a separate audit function, it is suggested that significant audit reports should be submitted to the General Assembly after consultation with the Office. For ITC, UNCHS/Habitat and UNDCP, there are established reporting lines to intergovernmental bodies which are not within the strict definition of governing bodies, but which could assume this role for purposes of accountability.

42. Following the underlying philosophy of General Assembly resolution 48/218 B, it would seem appropriate that the Assembly, as the highest legislative and oversight body of the Organization, should be kept informed on a regular basis and in a concise fashion about the effectiveness of internal oversight in the various parts of the Organization. This could be achieved through a summary report which would be compiled and coordinated by the Office of Internal Oversight Services and submitted to the General Assembly in accordance with paragraph 5 (e) (ii) of resolution 48/218 B. The report would be based on submissions from the operational funds and programmes which would be forwarded to the Office by their executive heads after discussion and approval, as appropriate, by the respective governing bodies.

43. In order to further strengthen a unified approach to internal oversight throughout the Organization, the above-mentioned report should be submitted to the General Assembly together with comments, if any, by the Office of Internal Oversight Services. The comments of the Board of Auditors and the Joint Inspection Unit would be solicited, as appropriate, as stipulated in resolution 48/218 B. In order to enable the Office to provide its comments, the annual work plans of the funds' and programmes' internal oversight units should be transmitted to the Office for information, together with copies of final reports issued by those units. Furthermore, it is understood that, in accordance with its Organization-wide mandate, the Office would carry out reviews of internal oversight units whenever there are sufficient reasons to believe that oversight mechanisms are ineffective, and otherwise as the Under-Secretary-General for Internal Oversight Services deems appropriate. Such reviews would recommend to the executive head of the fund or programme corrective measures and adjustments as appropriate.

V. RECOMMENDATIONS

Recommendation 1

44. The results of our survey indicated the existence of dedicated monitoring units in some funds and programmes, whereas in others the monitoring tasks are accomplished through other organizational units. In view of the refocusing of programme performance monitoring and evaluation as promoted by the Office of Internal Oversight Services, it is recommended that the monitoring concept be viewed and developed as part of the managerial responsibility. Whatever organizational structure has been used to perform the monitoring tasks, its function should be modified to that of a facilitator, gathering the appropriate data and, most importantly, independently analysing and reporting on the implementation of programme activities. Furthermore, the Office's guidelines on programme monitoring and evaluation should be embraced as a minimum requirement and implemented by those funds and programmes which have certain deficiencies in these areas.

Recommendation 2

45. The current arrangement gives the audit unit responsibility for the inspection function in most funds and programmes. In the experience of the Office, specialized knowledge of the area to be inspected has been essential in

forming the inspection team. Additionally, the inspection team must frequently be assembled on short notice, in reaction to a perceived problem. In order to address these two key components of inspection, it is recommended that consideration be given to forming separate inspection units in the larger funds and programmes. Where this is not practical, an inspection team should be formed within the audit unit which is trained to deal with these specialized tasks. The Office also offers its assistance should a fund or programme decide not to establish its own inspection function.

Recommendation 3

46. Of the surveyed funds and programmes, only WFP has established a unit similar to the Office's Investigations Section. Currently, the Office provides investigation services to any fund or programme if requested and the necessary priority is established. In order to provide more effective coverage, resources must be allocated by the individual fund or programme to the budget of the Investigations Section. However, the decision to carry out an investigation must not be subject to the availability of resources. For those entities which decide to establish their own investigation function, the operational independence of the unit needs to be ensured along with the development of a confidential reporting facility and procedures to protect those who make reports in good faith or are the subject of such reports.

Recommendation 4

47. The study of the operational funds and programmes determined that in most instances cooperation among oversight units is approached in a rather informal manner. It is recommended that regular monthly meetings be held among the heads of the oversight units and other units performing the designated oversight functions to discuss oversight issues and exchange information. It is further recommended that periodical meetings be held in all funds and programmes between internal oversight units and management at the executive level to address issues of planning and coordination of, and compliance with recommendations resulting from internal oversight activities.

Recommendation 5

48. Surveyed funds and programmes have stressed that the implementation of recommendations from internal oversight activities is monitored during subsequent reviews. The effectiveness of the oversight function can be increased if more emphasis is placed upon ensuring the timely implementation of recommendations. Therefore, it is strongly recommended that internal oversight units in the funds and programmes should develop a mechanism for continually monitoring the implementation of their recommendations. This mechanism should include procedures for addressing non-compliance and reporting on the status of implementation to the executive head.

Recommendation 6

49. The results of the present survey indicate that most of the funds and programmes are lacking adequate reporting procedures. It is recommended that the reporting procedures of funds and programmes follow similar lines as those

established for the Office of Internal Oversight Services in paragraph 5 (e) of resolution 48/218 B. Therefore, internal oversight units should be authorized to submit, through their respective executive heads, periodic comprehensive reports and ad hoc reports on specific issues to their governing bodies. Reports of the Office pertaining to a particular fund or programme should be made available by its executive head to its governing body, upon request from the Under-Secretary-General for Internal Oversight Services, together with the comments of the executive head, as appropriate.

Recommendation 7

50. In order to further strengthen and unify reporting procedures, the Secretary-General recommends complementing the reporting line of the Office of Internal Oversight Services to the General Assembly with a report which contains summary records on internal oversight issues of each operational fund and programme. The sub-parts of the summary report would be drafted by the individual entities, making every effort to avoid duplication of reporting; they would also be submitted to the governing body for review and approval before being transmitted to the Office. The report would provide a tool for the General Assembly to monitor internal oversight activities within the individual organizations and provide a comprehensive overview of the achieved improvements and areas of concern to be addressed in the future.

Recommendation 8

51. In view of its responsibility for the enhancement of internal oversight mechanisms in the operational funds and programmes as well as its coordinating role, the Office of Internal Oversight Services should have the authority to seek and obtain any relevant information, specific or general, from the internal oversight entities or the concerned executive heads. It should also have the right to comment, if necessary, on the quality and adequacy of the oversight activities of funds and programmes as they would be reported to the General Assembly following recommendation 7 above.

Notes

[1] This comparison has limitations as the evaluation budget does in some cases comprise other functions (e.g., in the case of UNHCR inspection functions) and in some instances additional sources of funding exist (e.g., in the case of UNFPA project funds are used for mandatory annual project audits). Yet this comparison arrives at a rough indication of the relative emphasis placed on audit and evaluation functions.

[2] Note that UNDP's expenditure does not follow this characterization; neither does UNEP and UNCHS/Habitat.

[3] Internal audit committees are usually composed of the heads of the oversight units as well as other division/bureau heads. A similar arrangement exists for UNFPA, where audit, evaluation and monitoring issues are reviewed and discussed regularly by the UNFPA Executive Committee, chaired by the Executive Director (members include all senior management).

Annex I

GENERAL OVERVIEW

UNITED NATIONS OPERATIONAL FUNDS AND PROGRAMMES

	◦ **Location of Headquarters** ◦ **Year of Founding** ◦ **Number Professional Staff (posts in 1994-95)** ◦ **Number General Service Staff (posts in 1994-95)** ◦ **Number Local Level Staff (posts in 1994-95)** ◦ **Number of Offices/Missions**	**Sources of Funding (Thousands of US$, 1994-95)** ◦ ◦ **Regular Budget** ◦ ◦ **Extrabudgetary Funds (including Voluntary Contributions)** **Total Budget**	**Legislative Authority** ◦ **Governing Body** ◦ **Appointment of head of entity**
ITC	◦ Geneva, Switzerland ◦ 1964 ◦ 77 Professionals ◦ 100 General Service (excluding field-based project personnel) ◦ No Field Offices	◦ ◦ Regular Budget: 21,642.0 (UN share)* ◦ ◦ Regular Budget: 21,642.0 (WTO share)* ◦ ◦ Income: 764.0* ◦ ◦ Extrabudgetary: 43,818.0* Total Budget: 87,866.0* * 1996/97 figures	◦ Joint Advisory Group/ECOSOC and General Council WTO ◦ Executive Director is appointed jointly by Secretary-General and Director General of WTO
UNCHS/ Habitat	◦ Nairobi, Kenya ◦ 1977 ◦ 97 Professionals ◦ 2 General Service ◦ 116 Local Level ◦ 8 Offices Worldwide, plus Headquarters	◦ ◦ Regular Budget: 14,949.5 ◦ ◦ Extrabudgetary: 91,697.0 Total Budget: 106,646.5	◦ ECOSOC/General Assembly ◦ Executive Director is appointed by Secretary-General
UNDCP	◦ Vienna, Austria ◦ 1990 ◦ 135 Professionals ◦ 76 General Service ◦ 86 Local Level ◦ 21 Offices, including Headquarters	◦ ◦ Regular Budget: 16,409.4* ◦ ◦ Extrabudgetary: 152,448.5* Total Budget: 168,857.9* * 1996/97 figures	◦ Commission on Narcotic Drugs/ECOSOC/General Assembly ◦ Executive Director is appointed by Secretary-General
UNDP	◦ New York, USA ◦ 1966 ◦ 912 Professionals ◦ 581 General Service ◦ 3,398 Local Level ◦ 129 Country Offices ◦ 6 Liaison Offices	◦ ◦ Voluntary Contributions: 1,896,000 ◦ ◦ Cost-sharing: 1,076,000 ◦ ◦ Trust Funds: 355 ◦ ◦ Other: 130,000 Total Contributions and Income: 3,457,000	◦ Executive Board/ECOSOC/General Assembly ◦ Administrator is appointed by the Secretary-General

	◦ **Location of Headquarters** ◦ **Year of Founding** ◦ **Number Professional Staff (posts in 1994-95)** ◦ **Number General Service Staff (posts in 1994-95)** ◦ **Number Local Level Staff (posts in 1994-95)** ◦ **Number of Offices/Missions**	**Sources of Funding (Thousands of US$, 1994-95)** ◦ ◦ **Regular Budget** ◦ ◦ **Extrabudgetary Funds (including Voluntary Contributions)** **Total Budget**	**Legislative Authority** ◦ **Governing Body** ◦ **Appointment of head of entity**
UNEP	◦ Nairobi, Kenya ◦ 1972 ◦ 379 Professionals ◦ 6 General Service ◦ 540 Local Level ◦ 5 Regional Offices, 10 other Offices, 4 Convention Secretariat	◦ ◦ Regular Budget: 13,935.2 ◦ ◦ Extrabudgetary: 248,264.3 Total Budget: 262,199.5	◦ Governing Council/ECOSOC/General Assembly ◦ Executive Director is elected by the General Assembly on nomination by the Secretary-General
UNFPA	◦ New York ◦ 1966 ◦ 124 National Professionals ◦ 180 International Professionals ◦ 396 Other Local Staff ◦ 94 Offices (excluding Headquarters)	◦ ◦ Regular Budget: 578,000 ◦ ◦ Extrabudgetary: 26,200 Total Contributions and Income (1994-95): 604,200	◦ UNDP Executive Board/ECOSOC/General Assembly ◦ Executive Director is appointed by the Secretary-General
UNHCR	◦ Geneva, Switzerland ◦ 1951 ◦ 1,194 Professionals ◦ 3,109 General Service ◦ 250 Offices (15 Regional Offices, 100 Country Level Offices, 135 Local Level Offices)	◦ ◦ Regular Budget: 48,719 ◦ ◦ Voluntary Contributions: 2,434,798 Total Budget: 2,483,517 (current estimates)	◦ Executive Committee/ECOSOC/General Assembly ◦ High Commissioner is elected by the General Assembly on nomination by the Secretary-General
UNICEF	◦ New York, USA ◦ 1946 ◦ 6,496 Total Staff ◦ 234 Offices (including Headquarters, 6 Regional Offices, 20 Area Offices, 67 Country Offices)	Total Contributions and Income: 1,997,000	◦ Executive Board/ECOSOC/General Assembly ◦ Executive Director is appointed by the Secretary-General
UNITAR	o Geneva o 1963 o 20 staff members and 3 research fellows o 7 local level staff o Center in Edmonton (Canada) and liaison office in NY	◦ ◦ Regular Budget: nil ◦ ◦ Voluntary Contributions: 7,980 Total Budget: 7,980	o Board of Trustees o Executive Director appointed by the Secretary-General following consultation with the Board
UNOPS	◦ New York ◦ 1995 ◦ 91 Professionals ◦ 154 General Service ◦ None ◦ 3 Outposts	◦ ◦ Regular Budget: 59,254 ◦ ◦ Extrabudgetary: None Total Budget: 59,254	◦ UNDP Executive Board/ECOSOC/General Assembly ◦ Executive Director is appointed by the Secretary-General

	◦ **Location of Headquarters** ◦ **Year of Founding** ◦ **Number Professional Staff (posts in 1994-95)** ◦ **Number General Service Staff (posts in 1994-95)** ◦ **Number Local Level Staff (posts in 1994-95)** ◦ **Number of Offices/Missions**	**Sources of Funding (Thousands of US$, 1994-95)** ◦ ◦ **Regular Budget** ◦ ◦ **Extrabudgetary Funds (including Voluntary Contributions)** **Total Budget**	**Legislative Authority** ◦ **Governing Body** ◦ **Appointment of head of entity**
UNRWA	◦ Vienna, Austria ◦ 1950 ◦ 179 International Professionals ◦ 766 Senior (Professional) Local Area Staff ◦ 10 International General Service ◦ 19,636 Local Level (excl. Senior Local Area Staff) ◦ 3 Headquarters Offices, Operations in 5 Fields	◦ ◦ Regular Budget: 2,350.3 ◦ ◦ Extrabudgetary: 689,071.7 Total Budget: 710,422.0	◦ General Assembly ◦ Commissioner-General is appointed by the Secretary-General
UNU	o Tokyo o 1972 o total staff: 156 o 5 Institutes/Programmes	Volutary Contributions Total Budget: 66,568	o Council o Rector is appointed by the Secretary-General after consultation with UNESCO Director-General and with his concurrence
WFP	◦ Rome, Italy ◦ 1961 ◦ 773 Professionals (including 373 Local Professionals) ◦ 1,026 General Service (including 759 Local General Service) ◦ 85 Country Offices	Total Contributions and Income: 3,902,400	◦ Committee on Food Aid Policies and Programmes/ECOSOC ◦ Executive Director is appointed by the Secretary-General

Annex II

Table 1

AUDIT FUNCTION
United Nations Operational Funds and Programmes

	INTEGRAL AUDIT UNIT	◦ AUDIT UNIT ◦ LOCATION ◦ YEAR ESTABLISHED	◦ LEVEL OF HEAD OF AUDIT UNIT ◦ # PROFESSIONAL STAFF POSTS (EXCLUDING HEAD)	REPORTING LINES	INTERNAL AND EXTERNAL REPORTING PROCEDURES FOR FINDINGS	PROCEDURE FOR MONITORING IMPLEMENTATION OF AUDIT RECOMMENDATIONS
ITC	NO	[OIOS]		[Secretary-General/ General Assembly]	**Internal**: Findings are brought to the attention of senior management and the individual divisions/ sections concerned. **External:** UN Board of Auditors.	OIOS monitors implementation of recommendations.
UNCHS/ Habitat	NO	[OIOS]		[Secretary-General/ General Assembly]	**Internal:** Final audit reports are addressed to Executive Head. **External:** UN Board of Auditors.	OIOS monitors implementation of recommendations.
UNDCP	NO	[OIOS]		[Secretary-General/ General Assembly]	**Internal**: Final audit reports are addressed to Executive Head. **External**: UN Board of Auditors. **Governing Body**: Commission on Narcotic Drugs is informed through regular reporting, including Annual Report of the Executive Director and budgetary reports.	OIOS monitors implementation of recommendations.
UNDP	YES	◦ Division for Audit and Management Review (DAMR) ◦ New York ◦ 1982	◦ D-2 ◦ 17 Professionals ◦ 3 General Service audit examiner posts	Audit unit reports to the UNDP Administrator.	**Internal**: All audit reports are submitted to UNDP Associate Administrator, in case of major adverse findings, Administrator may contact auditee for response/actions. **External**: UN Board of Auditors. **Governing Body**: Reporting of audit findings to the Executive Board remains at the discretion of the Administrator, unless otherwise requested by Board. An annual report on internal oversight will be presented to the Executive Board on a yearly basis, beginning in 1997.	Audit unit monitors implementation of recommendations; checks on implementation of recommendations as standard procedure for subsequent audits.
UNEP	NO	[OIOS]		[Secretary-General/ General Assembly]	**Internal:** Final audit reports are addressed to Executive Head. **External:** UN Board of Auditors.	OIOS monitors implementation of recommendations.
UNFPA	YES	◦ UNFPA Internal Audit Section, UNDP/DAMR ◦ New York ◦ 1993 (prior to 1993 provided by DAMR)	◦ P-5 ◦ 1 Professional	Chief of audit unit reports to UNDP/DAMR, as well as to UNFPA Executive Director.	**Internal**: DAMR addresses reports to UNFPA Deputy Executive Director (Policy and Administration). **External:** UN Board of Auditors. **Governing Body:** Executive Board is informed of audit reports by UNFPA Executive Director. An annual report on internal oversight will be presented to the Executive Board on a yearly basis, beginning in 1997.	UNFPA monitors implementation of recommendations.
UNHCR	NO	[OIOS]		[Secretary-General/ General Assembly]	**Internal**: Final audit reports are addressed to Controller of UNHCR. **External:** UN Board of Auditors.	OIOS monitors implementation of recommendations.

	INTEGRAL AUDIT UNIT	◦ AUDIT UNIT ◦ LOCATION ◦ YEAR ESTABLISHED	◦ LEVEL OF HEAD OF AUDIT UNIT ◦ # PROFESSIONAL STAFF POSTS (EXCLUDING HEAD)	REPORTING LINES	INTERNAL AND EXTERNAL REPORTING PROCEDURES FOR FINDINGS	PROCEDURE FOR MONITORING IMPLEMENTATION OF AUDIT RECOMMENDATIONS
UNICEF	YES	◦ Office of Internal Audit ◦ New York ◦ 1948	◦ D-2 ◦ 12 Professionals	Audit unit reports to Office of the Executive Director.	**Internal**: Internal Audit Reports are addressed to auditees and relevant units; executive summary is submitted to Executive Head. **External**: UN Board of Auditors. **Governing Body**: Audit and investigations reports have been given to Executive Board in special cases.	Internal Audit Committee follows implementation on a selective basis, follow-up audits address implementation of agreed actions and actions equired.
UNITAR	NO	[OIOS]		Board of Trustees Secretary-General General Assembly	**Internal**: Final Audit reports are addressed to the Executive Head. **External**: UN Board of Auditors.	OIOS monitors implementation of recommendations. Board of Auditors (Res. 50/204 dated 23 Dec. 1995) ACABQ (Res. 48/216B dated 23 Dec. 1995)
UNOPS	YES	◦ Project Services Audit Section, UNDP/DAMR ◦ 1989 ◦ New York	◦ P-5 ◦ 4 Professionals (of which 2 dedicated to audit of Management Service Arrangements funded by World Bank) ◦ 2 General Service audit examiner posts	Audit unit reports to UNDP/DAMR.	**Internal**: DAMR submits reports to the UNOPS Executive Director. **External**: Management Services Agreements Audits are submitted by the Executive Director to involved governments and the World Bank. **Governing Body**: An annual report on internal oversight will be presented to the Executive Board on a yearly basis, beginning in 1997.	Procedures for monitoring implementation of recommendations in preparation.
UNRWA	YES	◦ Internal Audit Office (Office of Commissioner-General) ◦ Amman ◦ 1950	◦ P-5 ◦ 6 Professionals (replaced by area staff upon relocation of UNRWA Audit Unit from Vienna to Amman)	Chief, Internal Audit Office, reports to the Commissioner-General, General Assembly.	**Internal**: Final reports are submitted to Commissioner-General, who asks officials concerned for action. **External**: UN Board of Auditors.	UNRWA audit unit follows up on implementation and sets target dates; subsequent audits establish whether recommendations were implemented; audit unit acts as focal point to ensure implementation of recommendations by external auditors and reports on follow-up action on such recommendations twice a year.
UNU	NO	[OIOS]		[Secretary-General/ General Assembly]	**Internal**: Final Audit reports are addressed to the Executive Head. **External**: UN Board of Auditors.	OIOS monitors implementation of recommendations.
WFP	YES	◦ Office of Internal Audit ◦ Rome ◦ 1985	◦ D-1 ◦ 7 Professionals	Audit unit reports to Office of the Executive Director.	**Internal**: Audit Reports are addressed to offices (at Directors' level) responsible for implementing audit recommendations; copies to Executive Director, Deputy Executive Director. **External**: External Auditors receive reports of internal audit findings and are responsible for conveying audit findings and recommendations to oversight bodies of the Programme. **Governing Body**: CFA receives status reports periodically.	Audit unit monitors implementation of recommendations; quarterly reports on status of implementation submitted to Audit Committee, which follows up on non-implementation.

Table 2

EVALUATION FUNCTION

UNITED NATIONS OPERATIONAL FUNDS AND PROGRAMMES

	INTEGRAL EVALUATION UNIT	◦ EVALUATION UNIT ◦ YEAR ESTABLISHED	◦ LEVEL OF HEAD OF EVALUATION UNIT ◦ # PROFESSIONAL STAFF POSTS (excluding Head)	REPORTING LINES	INTERNAL AND EXTERNAL REPORTING PROCEDURES FOR FINDINGS	PROCEDURE FOR MONITORING IMPLEMENTATION OF EVALUATION RECOMMENDATIONS
ITC	YES	◦ Corporate Strategy and Quality Assurance Unit, Office of the Executive Director ◦ 1996	◦ P-5 ◦ 2 Professionals, including one (P-4) dealing exclusively with evaluation	Reports to Executive Director. For programme evaluations, external consultants report directly to JAG.	**Internal**: Evaluation reports and analyses of lessons learned are sent to all chiefs of operational units. **External**: Annual Report includes a section of evaluation activities.	Recommendations of programme evaluations are monitored by the Senior Evaluation Officer, at project level procedure is currently being reviewed and improved.
UNCHS/ Habitat	YES	◦ Evaluation Officer, Office of the Executive Director ◦ 1984	◦ P-4 (post is vacant since 1992, heads of Division carry out function)	Evaluation Officer reports to the Director of Programme Coordination.	UNCHS issues reports to Central Evaluation Unit, OIOS.	
UNDCP	YES	◦ Planning and Evaluation Section, Office of External Relations, Strategic Planning and Evaluation	◦ P-5 ◦ 2 Professionals	Planning and Evaluation Section reports to Office of External Relations; Strategic Planning and Evaluation reports to Executive Director.	**Internal**: Findings and recommendations are summarized and referred to Executive Director; database contains summary of all evaluations. **External**: Individual project evaluations are shared with executing agencies and recipient countries and discussed at tripartite review meetings. **Governing Body**: Annual report and ad hoc reporting by Executive Director to Commission on Narcotic Drugs.	Follow-up by Planning and Evaluation Section (PES); report to Executive Director, should implementation of decisions encounter difficulties.
UNDP	YES	◦ Office of Evaluation and Strategic Planning (in Office of the Administrator), former Central Evaluation Office (1983-94) ◦ 1994 (formerly Central Evaluation Office (1983-1994)	◦ D-2 ◦ 5 Professionals	Evaluation system is decentralized at the project level. Country Offices report to Regional Bureaus, these report to the Office of Evaluation and Strategic Planning and its Director reports to the Administrator.	**Internal**: OESP disseminates findings and lessons learned through series of publications. **External**: Publishes annually since 1994 "Evaluation Findings", reports on major strategic, thematic and programmatic evaluations are also available separately. **Governing Body**: Annual report by Administrator and by Director OESP to Executive Board.	Office of Evaluation and Strategic Planning uses Corporate Plan mechanism for monitoring implementation of strategic evaluation recommendations.

	INTEGRAL EVALUATION UNIT	◦ EVALUATION UNIT ◦ YEAR ESTABLISHED	◦ LEVEL OF HEAD OF EVALUATION UNIT ◦ # PROFESSIONAL STAFF POSTS (excluding Head)	REPORTING LINES	INTERNAL AND EXTERNAL REPORTING PROCEDURES FOR FINDINGS	PROCEDURE FOR MONITORING IMPLEMENTATION OF EVALUATION RECOMMENDATIONS
UNEP	YES	◦ Project Design and Evaluation Unit in the Corporate Planning and Accountability Service ◦ 1994 (previously Follow-up and Evaluation Unit)	◦ P-5 ◦ 2 Professionals	Project Design and Evaluation Unit reports through Chief, Corporate Planning and Accountability Service, and Director, Programme Support Services, to Executive Director	Annual evaluation report is submitted to Governing Council	Responsibility of programme managers; Project Design and Evaluation Unit follows up on implementation on a semi-annual basis; quarterly evaluation monitoring report is submitted to Executive Committee
UNFPA	YES	◦ Evaluation Branch, Technical and Evaluation Division ◦ 1972 ◦ Office of Oversight and Evaluation (since 1996)	◦ D-1 ◦ 4 Professionals	The Office of Oversight and Evaluation reports directly to the Executive Director	**Internal**: Evaluation reports are reviewed at country level with Country Support Teams and Geographical Divisions at HQ; thematic evaluations are reviewed by agency/institution under evaluation and are reported to UNFPA Programme Committee; findings and recommendations of thematic evaluations are reported to UNFPA Policy and Planning Committee; findings and recommendations of Policy Application reviews are reported to the Executive Director. **External**: Publication of evaluation reports. **Governing Body**: Biennial report to Executive Board.	Monitoring takes place at field and HQ levels, with particular attention to the application of evaluation findings and recommendations during the review of proposed projects and programmes.
UNHCR	YES	◦ Inspection and Evaluation Service (in the Executive Office of the High Commissioner) ◦ March 1995	◦ D-2 ◦ 4 Professionals	Reports directly to High Commissioner.	**Internal**: Recommendations and conclusion are presented to High Commissioner for decision and follow-up; reports are distributed to Senior Management Committee and concerned Representatives, managers at HQ and in countries concerned. **Governing Body**: Annual report to Executive Committee, entitled 'UNHCR inspection and evaluation activities'; Standing Committee considers 'Reports relating to oversight'.	Procedures not yet developed for IES.
UNICEF	YES	◦ Evaluation and Research Office (under Deputy Executive Director) ◦ 1987	◦ D-1 ◦ 6 Professionals (5 consultants)	Regional Monitoring and Evaluation Officers report to Deputy Regional Director; Director, Evaluation and Research Office at HQ reports to Deputy Executive Director, Programmes.	**Internal**: Database feeds back results to the field, management and planning process, Newsletter (2-3 issues p.a.) with findings/research reports. **External**: Biennial report to Executive Board; ad hoc reports to interested parties; newsletter.	By Country Office representative (Evaluation database includes summary of follow-up actions undertaken to implement recommendations).

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	INTEGRAL EVALUATION UNIT	◦ EVALUATION UNIT ◦ YEAR ESTABLISHED	◦ LEVEL OF HEAD OF EVALUATION UNIT ◦ # PROFESSIONAL STAFF POSTS (excluding Head)	REPORTING LINES	INTERNAL AND EXTERNAL REPORTING PROCEDURES FOR FINDINGS	PROCEDURE FOR MONITORING IMPLEMENTATION OF EVALUATION RECOMMENDATIONS
UNITAR	NO				**External**: ACABQ (yearly). Evaluation of programme impacts conducted occasionally by bilateral donors. **Governing Body**: Board of Trustees (twice per year)	Report to Board of Trustees.
UNOPS	NO	◦ Project/programme funding organization	n.a.	n.a.	Copies of projects and programme reports are forwarded by the evaluating party(ies) to the Executive Director; if UNDP Office of Evaluation and Strategic Planning performs/participates in project evaluation, reports are submitted to Executive Director.	Under responsibility of funding organization and recipient government. UNOPS Deputy Executive Director initiates and supervises implementation.
UNRWA	YES	◦ Programme Planning and Evaluation Office, (Office of the Commissioner-General) ◦ 1988	◦ P-5 ◦ 4 Professionals	Chief, Programme Evaluation and Planning Office, reports to the Commissioner-General.	PPEO submits reports to Commissioner-General.	By secretariat of organizational body concerned.
UNU	NO	◦ Evaluations carried out by external experts		Reports are submitted to the Rector.	Rector presents evaluation reports to UNU Governing Council for consideration and comments.	
WFP	YES	◦ Office of Evaluations (OEDE) in the Office of the Executive Director ◦ 1969	◦ D-1 ◦ 8 Professionals	OEDE reports directly to Office of Executive Director.	**Internal**: OEDE addresses reports to Office of the Executive Director who transmits reports with comments by government concerned to CFA. WFP Country Office has to report on follow-up action. Project Committee considers evaluation reports. **External**: Evaluation findings and recommendations are discussed with governments. **Governing Body**: Receives printed reports on all evaluation exercises.	

Table 3

MONITORING FUNCTION

UNITED NATIONS OPERATIONAL FUNDS AND PROGRAMMES

	INTEGRAL MONITORING UNIT	UNIT IN CHARGE OF MONITORING	◦ LEVEL OF HEAD OF MONITORING ◦ # PROFESSIONAL STAFF POSTS (excluding Head)	SCOPE OF MONITORING	REPORTING LINES	INTERNAL AND EXTERNAL REPORTING PROCEDURES FOR MONITORING FINDINGS
ITC	YES	Corporate Strategy and Quality Assurance Section (CSQAS)	◦ P-5	Operational units are responsible for monitoring programmes and specific projects. CSQAS facilitates discharge of this responsibility and ensures corporate monitoring.	CSQAS reports to the Executive Director.	**Internal:** CSQAS prepares ad hoc reports for Senior Management Meetings. **External:** Comments made in Annual Report as appropriate.
UNCHS/ Habitat	NO	1) Technical Cooperation Division 2) Heads of substantive Divisions		Ongoing monitoring through monthly Unit and Programme Coordinator Meetings, Project Monitoring Reports; regular monitoring visits for Human Settlement Advisors, yearly Tripartite Reviews; terminal report determines the extent to which objectives have been met.		Technical Cooperation Division issues Quarterly Report to Senior Managers; Heads of substantive Divisions furnish reports to Central Evaluation Unit, OIOS.
UNDCP	YES, but not unified.	1) Programme Support Section (PSS) 2) Operational Activities Branch (OAB), Division for Operational Activities and Technical Services (DOATS)	◦ D-1 (OAB)	PSS develops and ensures adherence to policies and procedures for control and management of financial resources to enhance internal controls, accountability, efficiency and consistency with rules and regulations, monitors performance analyses, provides financial information; OAB monitors, analyses and reports on resource utilization of the fund on the basis of information provided by PSS.	PSS reports to Deputy Executive Director, Division for Treaty Implementation and Support Services; OAB reports to Deputy Executive Director DOATS, both Deputy Directors report to the Executive Director.	
UNDP	NO	Office of Evaluation and Strategic Planning (in Office of the Administrator), former Central Evaluation Office	◦ D-2 ◦ 5 Professionals	◦ Monitors overall performance against goals of Annual Corporate Plan. ◦ Defines policies and procedures for monitoring of programme and project implementation. ◦ Develops tools for Programme Impact Performance Assessment. ◦ Issues quarterly publication.	Director of OESP reports to Administrator.	OESP prepares reports for Executive Board, Administrator and Senior Management.

	INTEGRAL MONITORING UNIT	UNIT IN CHARGE OF MONITORING	◦ LEVEL OF HEAD OF MONITORING ◦ # PROFESSIONAL STAFF POSTS (excluding Head)	SCOPE OF MONITORING	REPORTING LINES	INTERNAL AND EXTERNAL REPORTING PROCEDURES FOR MONITORING FINDINGS
UNEP	YES, but not in a single unit.	1) **Programmatic**: Accountability, Monitoring and Reporting (AMR), Corporate Planning and Accountability Services 2) **Project finances and outputs**: Fund Programme Management Branch (FPMB) 3) **Administrative**: Programme Support Services (PSS)		◦ AMR monitors implementation of programme ◦ FPMB monitors implementation of individual projects in terms of outputs and expenditures, and audit/evaluation recommendations. ◦ PSS monitors expenditure from regular budget and programme support costs including audit matters relating to them.	Chiefs CPAS and FPMB report to Director of PSS, who reports to Executive Director	UNEP reports to Central Monitoring and Inspection Unit at UN/HQ through programme performance reports; FPMB reports to the Executive Director/ Executive Committee through monthly status of the Fund reports and a similar report is sent quarterly to Committee of Permanent Representatives; PSS reports to the Executive Director/Executive Committee with monthly budget performance reports
UNFPA	NO	1) Geographical Divisions at HQ 2) Country Offices		Project monitoring is based on project work plans, Annual Project Reports, Annual Project Review Meetings and audit/financial reports. monitoring of country programmes includes status of implementation reports and mid-term reviews; larger programmes may be reviewed annually. Regular technical monitoring and backstopping is provided by Country Support Teams. The Geographical Divisions at HQ are to undertake monitoring visits to each Field Office at least once per year.	Field Offices and Country Support Teams report to Geographical Divisions which report to Deputy Executive Director (Programme). Semi-annual reports from each Office are provided directly to the Executive Director	Project and programme monitoring is undertaken on a continuous basis by Field Offices and Country Support Teams, under the supervision of Geographical Divisions at HQ. The findings of mid-term Country Programme reviews are reported to the Programme Review Committee
UNHCR	NO	1) HQ Bureaus and Desks 2) HQ Finance and Budgeting Section 3) Field staff		Programme Officer, Finance Officer and Field Officer monitor and document performance against budget, project description and work plan, as well as control the release of resources through on site assessment of progress, activities of implementation by partners are also monitored.		Comprehensive reporting system to record progress and results on project implementation; findings are reported through the normal management and reporting process.
UNICEF	YES	Evaluation and Research Office (under Deputy Executive Director)	◦ D-1 ◦ 6 Professionals (5 consultants)	◦ Develop systems and guidelines for programme/project evaluations and monitoring (incl. manuals)	Regional Monitoring and Evaluation Officers based in Regional Offices report to Deputy Regional Director	
UNITAR	NO			Finance and Programme	Report to the General Assembly is approved by the Board of Trustees	

	INTEGRAL MONITORING UNIT	UNIT IN CHARGE OF MONITORING	◦ LEVEL OF HEAD OF MONITORING ◦ # PROFESSIONAL STAFF POSTS (excluding Head)	SCOPE OF MONITORING	REPORTING LINES	INTERNAL AND EXTERNAL REPORTING PROCEDURES FOR MONITORING FINDINGS
UNOPS	NO	1) UNOPS Business Plan: Division for Planning, Policy & Information (PPI) 2) Financial/Administrative Monitoring: Division of Finance	◦ 1 Assistant Director for each division ◦ PPI: 2 Professionals, Division of Finance: 4 Professionals	On-site financial and administrative monitoring of 9 large projects in 10 countries in 1994 and of 10 projects in 4 countries in 1995. **Scope**: PPI: monitoring and assessing compliance with UNOPS business plan and progress of activities Division of Finance: monitoring and assessment of compliance with financial/administrative rules and procedures as well as with delegated authority (if any) by UNOPS personnel, both at HQ and on projects.	Assistant Directors report to Executive Director.	UNOPS Executive Director is responsible for initiating and supervising actions deemed necessary/recommended in findings.
UNRWA	NO	1) Supervisors at different levels 2) Internal Audit Office		Supervisors ensure implementation of approved programmes and policies under their organizational control; Internal Audit Office ensures compliance with regulations, rules, directives and standing instructions.		
UNU	NO					
WFP	YES	Regional Bureaus at HQ		Field offices might have specifically recruited staff for monitoring or use their own staff, on-site monitoring often performed by government officials, NGOs or UN volunteers, general monitoring at HQ by desk officers and staff Regional Bureaus.	Country Offices report to HQ Regional Bureaus, Regional Bureaus report to Directorate of Operations Department (exceptionally to its DED or Director Operational Management and Programming Division).	**Internal**: For development activities, the Regional Bureaus circulate Country Office Project Reports to Operational Management and Programming Division (OM); for relief operations the Weekly Telex and the Food Availability Status Reports and the Situation Reports are furnished and circulated internally and to UN agencies, NGOs, other international organizations and donors. **External**: Issues arising from monitoring activities are contained in Executive Directors Annual Report and occasional papers to WFP's governing body.

Table 4

INSPECTION FUNCTION

UNITED NATIONS OPERATIONAL FUNDS AND PROGRAMMES

	INTEGRAL INSPECTION UNIT	◦ INSPECTION UNIT ◦ YEAR ESTABLISHED	◦ LEVEL OF HEAD OF INSPECTION UNIT ◦ # PROFESSIONAL STAFF POSTS (Excluding Head)	SCOPE OF INSPECTIONS	REPORTING LINES	INTERNAL AND EXTERNAL REPORTING PROCEDURES FOR FINDINGS
ITC	NO	[OIOS]		In-house inspection functions is integrated into project evaluation function.		
UNCHS/ Habitat	NO	[OIOS]				
UNDCP	NO	◦ 1) PSS 2) Central Monitoring and Inspection Unit, OIOS 3) HQ and field staff jointly		Internal inspections of specific locations, projects or activities can be jointly conducted by HQ and field staff; all inspections are carried out in cooperation with OIOS and USG for Administration and Management.		Findings are reported to the Deputy Executive Director, Division for Treaty Implementation and Support Services, who reports to Executive Director of UNDCP.
UNDP	NO	◦ Division for Audit and Management Review	Refer to Annex II-Table 1	Addresses inspection concepts and issues in the context of its management audits.	Refer to Annex II-Table 1	Refer to Annex II-Table 1
UNEP	NO	[OIOS]				
UNFPA	NO	◦ UNFPA Internal Audit Section	Refer to Annex II-Table 1	Addresses inspection concepts and issues in the context of its management audits	Refer to Annex II-Table 1	Refer to Annex II-Table 1
UNHCR	YES	◦ Inspection and Evaluation Service (in the Executive Office of the High Commissioner) ◦ March 1995	◦ D-2 ◦ 4 Professionals	Inspections to over 30 countries. **Scope**: Assessment of UNHCR operations and review of UNHCR impact in given countries and areas, focusing on internal and external factors deemed essential to the effective and efficient achievement of organizational objectives.	Inspection and Evaluation Service reports directly to High Commissioner.	**Internal**: Recommendations and conclusion are presented to High Commissioner for decision and follow-up, reports are distributed to Senior Management Committee and concerned Representatives, managers at HQ and in countries concerned. **External**: UNHCR has established a database and a follow-up mechanism to monitor compliance with recommendations. Annual report to Executive Committee, entitled 'UNHCR Inspection and Evaluation Activities'; Standing Committee considers 'Reports relating to oversight'.
UNICEF	NO	◦ Office of Internal Audit		Office operates under three year "rolling" workplan.	Office of Internal Audit reports to the Executive Director.	In addition to reporting through audit reports and annual reports which contain major findings, common and/or recurring observations are circulated to all heads of offices.
UNITAR	NO	[OIOS]				

	INTEGRAL INSPECTION UNIT	◦ INSPECTION UNIT ◦ YEAR ESTABLISHED	◦ LEVEL OF HEAD OF INSPECTION UNIT ◦ # PROFESSIONAL STAFF POSTS (Excluding Head)	SCOPE OF INSPECTIONS	REPORTING LINES	INTERNAL AND EXTERNAL REPORTING PROCEDURES FOR FINDINGS
UNOPS	NO	◦ Project Services Audit Section/DAMR	Refer to Annex II-Table 1	Addresses inspection concepts and issues in the context of its management audits.	Refer to Annex II-Table 1	Refer to Annex II-Table 1
UNRWA	NO	◦ 1) Audit Office 2) Officers of respective Programme		Audit Office inspects compliance with prescribed procedures and standards. Officers may conduct inspections of programmes and support services for which they are responsible.		
UNU	NO	[OIOS]				
WFP	YES	◦ Office of Inspection and Investigation ◦ July 1995	D-1 1 Professional		OEDI reports directly to Office of Executive Director.	OEDI submits reports to Directors concerned, incl. Executive Director and Deputy Executive Director (if their attention is required).

Table 5

INVESTIGATION FUNCTION

UNITED NATIONS OPERATIONAL FUNDS AND PROGRAMMES

	INTEGRAL INVESTIGATIONS UNIT	INVESTIGATIONS UNIT	MECHANISM FOR REPORTING ALLEGATIONS OF WASTE, FRAUD AND MISMANAGEMENT	INTERNAL AND EXTERNAL REPORTING PROCEDURES FOR FINDINGS
ITC	NO	Division of Administration	--	--
UNCHS/ Habitat	NO	Investigative panel appointed by Executive Director	a) Internal mechanism with participation of management. b) Joint Disciplinary Committee, reports to UN/DAM (ST/AI/371 of 2 August 1991).	--
UNDCP	NO	Chief of Programme Support Services	Internal mechanism with participation of management.	--
UNDP	NO	Division for Audit and Management Review	Internal mechanism with participation of management.	Refer to Annex II-Table 1
UNEP	NO	Executive Director or units/individuals appointed by the Executive Director	Internal mechanism with participation of management.	At discretion of the Executive Director.
UNFPA	NO	UNFPA Internal Audit Section	Internal mechanism with participation of management.	Refer to Annex II-Table 1
UNHCR	NO	Office of the Controller	Internal mechanism with participation of management.	Immediate and automatic notification of Internal Audit; reports are accumulated at Division of the Controller and Management Services and reported once a year to External Auditors.
UNICEF	NO	Office of Internal Audit	Internal mechanism with participation of management.	Comptroller reports on cases that are covered in audit reports to Board of External Auditors.
UNITAR	NO	[OIOS]	[OIOS]	[OIOS]
UNOPS	NO	Project Services Audit Section/DAMR	Internal mechanism with participation of management.	Refer to Annex II-Table 1
UNRWA	NO	1) Audit Office 2) Boards of Inquiry	Internal mechanism with participation of management.	--
UNU	NO	--	Reports are directed to the Rector.	--
WFP	YES	Office of Inspection and Investigation	Internal mechanism with participation of management.	OEDI submits reports to Directors concerned, incl Executive Director and Deputy Executive Director (if their attention is required).

Annex III

INTERNAL COORDINATION OF EXISTING OVERSIGHT FUNCTIONS

UNITED NATIONS OPERATIONAL FUNDS AND PROGRAMMES

	COORDINATION OF EXISTING OVERSIGHT FUNCTIONS
ITC	Audit function is coordinated by Division of Administration. Monitoring and Evaluation functions are coordinated by Corporate Strategy and Quality Assurance Section.
UNCHS/ Habitat	Internal coordination is carried out by administration.
UNDCP	The Deputy Executive Director and Director, Division for Treaty Implementation and Support Services is the focal point for audit, monitoring and investigation functions.
UNDP	Division for Audit and Management Review coordinates with Office of Evaluation and Strategic Planning through information exchange.
UNEP	Director of Programme Support Services liaises with respective UNON units.
UNFPA	Executive Committee (includes all senior management).
UNHCR	Audit Committee.
UNICEF	Informal coordination.
UNITAR	Informal coordination.
UNOPS	Informal coordination.
UNRWA	Informal coordination.
UNU	Informal coordination.
WFP	Periodical meetings of Director of Auditing (OEDA) and Director of Evaluation (OEDE); Audit Committee.

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Annex IV

RESULTS OF CONSULTATIONS HELD PURSUANT TO PARAGRAPH 11 OF GENERAL ASSEMBLY RESOLUTION 48/218 B

Organization	Governing Body	Date of discussion	Result of consultation
ITC	Joint Advisory Group (does not deal with administrative and budgetary matters)	--	Endorsement by Executive Director
UNCHS/ Habitat	Commission on Human Settlements	June - December 1996	Mail poll among 58 members of Commission; responses from Gambia, Italy, Kenya, Russian Federation, United Kingdom; Issue was also raised on 6 August 1996 with Committee of Permanent Representatives
UNDCP	Commission on Narcotic Drugs	24 April 1996	Commission took note of the draft report without comment
UNDP UNFPA UNOPS	Executive Board	29 March 1996	Result of discussion is reflected in the report of the second regular session of the Executive Board (DP/1996/17)
UNEP	Governing Council	April - December 1996	Informal consultations with members of Governing Council; responses from Italy, Spain, United Kingdom, Zaire
UNHCR	Standing Committee	June 1996	Decision by Standing Committee
UNICEF	Executive Board	12 April 1996 20 June 1996	Results of discussion is reflected in the reports of the second session and of the annual meeting 1996 of the Executive Board (E/ICEF/1996/12 (Part II) and (Part III))
UNITAR	Board of Trustees	2 May 1996	Board of Trustees "approved the description of functions, tasks and mechanisms to help UNITAR in abiding by the system-wide requirements of the new Internal Oversight Mechanisms in Operational Funds and Programmes"
UNRWA	Advisory Commission[1]	4 March 1996	Advisory Commission was briefed and received copies of draft report; no comments have been made.
UNU	Council of the University	2-6 December 1996	Committee on Finance and Budget of the Council considered the draft report; no comments have been made.
WFP	Executive Board	29 May 1996	Executive Board took note of draft report.

[1] In lieu of the General Assembly

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PROGRAMME BUDGET FOR THE BIENNIUM 1996-1997

REPORT OF THE SECRETARY-GENERAL ON THE ACTIVITIES OF THE OFFICE OF INTERNAL OVERSIGHT SERVICES

Note by the Secretary-General

1. Pursuant to General Assembly resolutions 50/214 of 23 December 1995 and 48/218 B of 29 July 1994, the Secretary-General has the honour to transmit, for the attention of the General Assembly, the attached report, conveyed to him by the Under-Secretary-General for Internal Oversight Services on the audit of Headquarters catering operations.

2. The Secretary-General notes that measures have been taken or initiated to correct many of the issues addressed in the review and concurs with the recommendations contained in the report.

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ANNEX

Report of the Office of Internal Oversight Services on the audit of Headquarters catering operations

SUMMARY

A. Results in brief

At the request of the General Assembly, the Office of Internal Oversight Services audited the management of the United Nations catering facilities at Headquarters. Since 1986, those facilities have been operated by a contractor under a profit and loss arrangement.

The audit included a review of the contractual arrangement and of United Nations monitoring of contractor performance, as well as an analysis of the operating statements submitted by the contractor to the United Nations. This report also discusses relevant audit findings regarding catering operations at the United Nations Office at Geneva and the International Trade Centre UNCTAD/WTO.

The current contractual arrangement helped the United Nations to avoid further financial losses from catering operations. Although that constituted a major improvement over the prior situation, the General Assembly's desire to make catering operations financially self-supporting to the extent possible was not achieved. Nor did the contract assure the most effective use of the Organization's resources.

The contract provided for the contractor to retain, as a management fee, the excess of gross receipts over operating expenses and to absorb any losses. However, operating expenses excluded direct and indirect costs incurred by the Organization in providing and maintaining the facilities (space, utilities, major equipment). Thus, the contractor, with limited capital investment, retained a significant profit of more than US$ 12 million over the 10-year period from 1986 to 1996, while the United Nations continued to subsidize the catering operation. The United Nations could have secured a fair share of this profit or ensured reimbursement of its costs incurred in the operation if such provisions had been included in the contract.

The contractor in effect operates and manages the Headquarters catering facilities for the United Nations. All cash collections from customers and purchases of food, beverages and supplies are made on behalf of the United Nations. If the contractor were unable to meet its financial obligations, the United Nations could be held liable.

In order to properly safeguard its assets, the United Nations must check the accuracy and appropriateness of the transactions carried out in its name. The Office of Internal Oversight Services found that adequate monitoring procedures were generally not performed by the Organization.

B. Recommendations

The Office of Internal Oversight Services recommends that:

(a) The objectives of United Nations catering operations be clearly defined;

(b) The catering operation at Headquarters be completely outsourced, with the United Nations maintaining adequate monitoring of the contractor's performance in accordance with the terms and conditions of the contract;

(c) All costs incurred by the United Nations in providing catering facilities and equipment be identified and, to the extent possible, reimbursed by the contractor;

(d) A reasonable and equitable profit-sharing arrangement between the United Nations and the contractor be implemented;

(e) Vendor selection criteria be clearly established;

(f) Annual audited financial statements for the catering operations be submitted by the contractor;

(g) In addition to consumer price indicators, quality assurance indicators be included in the contract;

(h) Catering committees be reactivated and monitoring of catering operations be strengthened;

(i) Regular health inspections of the facilities and health examinations of the employees as well as proper maintenance of the facilities and its major equipment be ensured.

The Office is pleased to note that its audit recommendations have been reflected in the new request for proposal and will be taken into consideration in developing the new contract for the United Nations catering operation.

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I. INTRODUCTION

1. As requested by the General Assembly in paragraph 74 of its resolution 50/214 of 23 December 1995, the Office of Internal Oversight Services conducted an audit of the management of United Nations Headquarters catering facilities between February and June 1996. It simultaneously audited catering operations at the United Nations Office at Geneva and at the International Trade Centre UNCTAD/WTO (ITC). Audit findings at those locations are included in the present report when relevant to the assessment of the Headquarters catering operation.

2. Our audit objectives were to determine whether:

(a) The goal of making catering operations as financially self-supporting as possible had been achieved;

(b) The contractual arrangements were adequate;

(c) The contractor's performance was satisfactory and adequately monitored;

(d) United Nations assets were adequately safeguarded;

(e) United Nations rules, regulations, policies and procedures were complied with.

3. The Office of Internal Oversight Services examined the management and operations of the Headquarters catering facilities from March 1986, when the first contract with the present contractor was awarded, to March 1996, when the second five-year term expired. It reviewed the contractor selection process, the terms and conditions of the contract and United Nations monitoring of the contractor's compliance and performance, including maintenance of the general service standards. It also examined the periodic operating statements submitted by the contractor and analysed the costs charged to the operation and the profit earned over the 10-year period.

II. CONTRACTUAL ARRANGEMENTS

4. Prior to 1985, catering at United Nations Headquarters was provided by a concessionaire. While the contractor received a management fee for its services, the United Nations was to obtain any profits and to absorb any losses from the catering operations. Not surprisingly, with the concessionaire lacking a profit motive, the catering operations ran at a deficit, imposing a heavy financial burden on the United Nations.

5. In its resolution 39/67 of 13 December 1984, the General Assembly confirmed that catering operations should be financially self-supporting to the extent possible and requested the Secretary-General to take steps to rectify the situation causing the deficit.

6. In 1986, based on a request for proposal and evaluation of various factors, the United Nations awarded a five-year contract to a contractor for the management and operation of catering facilities under a profit and loss arrangement.

7. According to the contract, the contractor operates and manages the catering facilities "for the United Nations". It purchases "on behalf of the United Nations all food, beverages and other operating supplies". All gross receipts from the operation are collected by the contractor "on behalf of the United Nations". Since liabilities are incurred on behalf of the United Nations, the Organization would be ultimately liable should the contractor fail to make payments.

8. Under the current arrangement, the contractor retains any profit derived from the operation and absorbs any losses. Although the original request for proposal had stipulated and the contractor had offered a profit-sharing arrangement with the United Nations, such a stipulation was not included in the final contract. The Office of Conference and Support Services stated that this had resulted in lower start-up prices.

9. During the 1986-1991 period, the contractor retained a profit of US$ 4.7 million on gross receipts totalling US$ 46 million. The United Nations continued to bear certain costs related to space, major equipment and utilities for the catering facilities, thus indirectly subsidizing the operation.

10. In 1991, without rebidding, the United Nations extended the contract for another five-year period under the initial profit and loss arrangement. The contractor, in exchange, agreed to grant a price freeze for certain items and to contribute to certain investments. During the period from 1991 to 1996, the contractor's profit increased to $7.4 million, with gross receipts decreasing slightly, to $43 million.

11. Had the United Nations included a profit-sharing clause in the contract, as originally requested and offered, its profit share would have been close to $5 million between 1986 and 1996. Even including a profit-sharing clause at the time of contract extension in 1991 would have generated $3.7 million for the Organization.

12. The Office of Internal Oversight Services acknowledges that the current contract, which represents a significant improvement over the prior situation, has protected the United Nations from having to absorb any losses. However, in its view, management failed to secure for the Organization a fair share of profits generated and did not ensure reimbursement of costs incurred by the United Nations in the catering operations.

III. MONITORING OF CATERING OPERATIONS

13. Quarterly operating statements submitted by the contractor were not critically reviewed nor discussed with the contractor except in two instances. Although the contractor managed the catering operation on behalf of the United Nations, it had no obligation to submit annual audited financial statements.

Also, the United Nations had no comprehensive information on its costs related to maintaining and operating the catering facilities.

14. The Staff-Management Catering Committee, which was supposed to review quality, standards, prices, hygienic reports and conditions, as well as staff suggestions and complaints, was inactive. Suggestions and comments made by staff members had not been acted upon by the Committee since October 1994. We appreciate that, in response to the audit, the Staff-Management Catering Committee has recently been reactivated and has circulated a questionnaire to determine customer satisfaction.

15. Health inspections of the catering facilities had not been made since June 1995, and there was no contractual requirement for the contractor's staff to undergo regular health examinations. Maintenance of catering facilities by the Buildings Management Service needed improvement.

16. Frequent breakdowns of cash registers owned and maintained by the United Nations hampered cafeteria operations and adversely affected the reliability of financial information.

IV. CRITICAL SUCCESS FACTORS FOR CATERING OPERATIONS

A. Objectives

17. Clearly articulated objectives are needed. In line with the General Assembly's objective of financially self-supporting catering operations, the United Nations Office at Geneva intended that catering operations should provide food and beverages to staff members at reasonable prices, while keeping direct and indirect subsidies to a minimum. To a certain extent, that Office sought reimbursement of the costs incurred in making cafeteria facilities available to the contractor as well as its own share of the profit.

18. At Headquarters, on the other hand, the profit-sharing requirement included in the 1991 request for proposal was omitted from the final contract. According to the then Assistant Secretary-General for General Services, it had been included only to test the market on price levels and not to obtain actual financial gain. It appears that at Headquarters the direct and indirect costs incurred by the United Nations in providing the catering facilities were viewed as staff-related costs that the Organization should absorb.

19. The distinctly different financial implications of those two approaches to providing the same services are very clear. The Organization's objectives in operating catering facilities need to be reconciled, and definitive guidance should be issued to all managers of procurement and support services. Such guidance is needed at Headquarters and at the United Nations Office at Geneva, in view of the upcoming contract negotiations.

20. The Office of Internal Oversight Services recommends that the objectives of United Nations catering operations be clearly defined (AH96/151/01).

B. Outsourcing modalities

21. Different interpretations of contract objectives resulted in a variety of modalities, even with the same contractor, as was the case with the contractor at both the United Nations Office at Geneva and ITC. The modalities differ as follows:

(a) The United Nations role. Whereas catering at Headquarters has been considered a United Nations operation managed by a contractor for the Organization, operations at the United Nations Office at Geneva and ITC have been outsourced to a contractor that is fully responsible. At Headquarters, the United Nations could have been financially liable if the contractor were unable to meet its financial obligations;

(b) The enumeration of the costs to be borne by the parties and cost-recovery mechanisms. At the United Nations Office at Geneva the contractor pays a fee that covers the Liaison Officer's salary and related staff costs, the maintenance of equipment and the costs of electricity and water; at Headquarters, those costs are borne in full by the United Nations. Other costs, such as heating, telephone and amortization of non-expendable property (furniture and fittings, for example), were not being recovered in any of the contracts reviewed. The bases of recovery (full vs. partial, estimated vs. actual, etc.) need to be considered;

(c) The bases, if any, for sharing profits and losses. At Headquarters, the contractor receives, as a management fee, the excess of gross receipts over operating expenses and absorbs any losses. At the United Nations Office at Geneva, the contractor receives a monthly management fee of 3.5 per cent of sales. Remaining net profits are to be shared equally between the contractor and the Office, with losses being fully absorbed by the contractor. At ITC, the contractor receives a management fee, but all remaining net profits are due to the United Nations, thus offering no incentive for the contractor to reduce costs and make a profit.

22. Whereas the Office of Conference and Support Services at Headquarters has asked for "proposals for revenue sharing" in the new request for proposals, the United Nations Office at Geneva intends not to request any longer a share of the contractor's profits in view of the perceived difficulties in monitoring a contractor's profit or loss. This again shows the need for a coordinated approach. Although trade practices may cause some variation in modalities in different countries, guidelines should be established to assist managers in determining the most advantageous alternatives available to the United Nations. Defining catering objectives, as discussed above, will greatly facilitate this effort.

23. The Office of Internal Oversight Services recommends that:

(a) The catering operation at Headquarters be completely outsourced, with the United Nations maintaining adequate monitoring of the contractor's performance in accordance with the terms and conditions of the contract (AH96/151/02);

(b) All costs incurred by the United Nations in providing catering facilities and equipment be identified and, to the extent possible, reimbursed by the contractor (AH96/151/03);

(c) A reasonable and equitable profit-sharing arrangement between the United Nations and the contractor be implemented (AH96/151/04).

C. Vendor selection criteria

24. The criteria employed in vendor selection vary widely depending on how managers perceive catering objectives. Consequently, criteria include combinations of food and beverage prices, quality and variety of menu offerings, quality of food at existing facilities, qualifications of candidates for General Manager, management fees and projected profitability. Therefore, guidelines are needed regarding the criteria and weights to be applied in the evaluation process.

25. The Office of Internal Oversight Services recommends that vendor selection criteria be clearly established (AH96/151/05).

D. Contract terms

26. The audits showed the need to address the following matters in the terms and conditions of the contracts. Contractors should be required to submit annual audited financial statements to the United Nations, irrespective of the modality employed. In the final analysis, the contract is essentially a concession granted by the United Nations to secure favourable food and beverage prices for its staff. Generation of a significant profit by the Headquarters contractor, with limited capital investment, suggests that staff may not be receiving the best prices available, while the United Nations is subsidizing the catering operation. Such a situation requires remedial action. On the other hand, losses may indicate the contractor's inefficient management of the facility. Losses may also indicate low capacity utilization and the inability to sustain the operations at the agreed level, which seems to be the case with the ITC cafeteria in Geneva.

27. Movements in prices should be verified by reference to some objective price indicator, such as the Food and Beverage Consumer Price Index for the respective metropolitan area. This issue is fundamental to monitoring the maintenance of favourable food and beverage prices, and will provide important data for assessing the reasonableness of the financial return. The establishment of quality assurance indicators, such as variation in menus, queuing times, capacity utilization and reports of hygiene inspections and extermination services, should be required.

28. The Office of Internal Oversight Services recommends that:

(a) Annual audited financial statements for the catering operations be submitted by the contractor (AH96/151/06);

(b) In addition to consumer price indicators, quality assurance indicators be included in the contract (AH96/151/07).

E. Monitoring contractor performance

29. The Office found that monitoring of contractor performance was inconsistent. The mandate of the monitoring institutions should therefore be clarified to include, inter alia, an assessment of service delivery, a monthly review of operating statements, an annual review of audited financial statements, price surveys and checks of Consumer Price Index movement, and a formal evaluation of contractor performance during and at the end of the contract - the value-for-money assessment.

30. The effectiveness of the current joint monitoring institutions (the Staff-Management Catering Committee at Headquarters and the Joint Catering Committee at Geneva), which was affected by a lack of clarity in the definition of functions and by a lack of know-how and initiative on the part of committee members, as well as by the climate of staff-management relations, should be strengthened. At Geneva, a Catering Liaison Officer is engaged to complement and support the monitoring function of the Joint Committee. A similar function should be considered for Headquarters and elsewhere.

31. The Office of Internal Oversight Services recommends that:

(a) Catering committees be reactivated and monitoring of catering operations be strengthened (AH96/151/08);

(b) Regular health inspections of the facilities and health examinations of the employees, as well as proper maintenance of the facilities and its major equipment be ensured (AH96/151/09).

V. THE NEW 1997 CATERING ARRANGEMENT

32. The Office of Internal Oversight Services is pleased to note that its recommendations have been reflected in the request for proposal or will be taken into consideration in developing the new contract for the United Nations Headquarters catering operation.

(Signed) Karl Th. Paschke
Under-Secretary-General
for Internal Oversight Services

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ADMINISTRATIVE AND BUDGETARY ASPECTS OF THE FINANCING OF THE UNITED NATIONS PEACEKEEPING OPERATIONS

REPORT OF THE SECRETARY-GENERAL ON THE ACTIVITIES OF THE OFFICE OF INTERNAL OVERSIGHT SERVICES

Note by the Secretary-General

1. Pursuant to General Assembly resolution 48/218 B of 29 July 1994, the Secretary-General has the honour to transmit, for the attention of the General Assembly, the attached report, conveyed to him by the Under-Secretary-General for Internal Oversight Services, on the audit of the United Nations Logistics Base at Brindisi.

2. The Secretary-General notes that measures have been taken or initiated to correct many of the issues addressed in the review and concurs with the recommendations contained in the report.

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ANNEX

Report of the Office of Internal Oversight Services on the audit of the United Nations Logistics Base

SUMMARY

A. Results in brief

A significant amount of resources has been committed to establishing the United Nations Logistics Base to serve peacekeeping operations. The present report is submitted to provide insight into the effectiveness and efficiency of the functions carried out by the Logistics Base.

The concept of a Logistics Base to store and manage the assets of missions that are downsizing or liquidating appears to be viable if managed effectively and efficiently. The assessment by the Office of Internal Oversight Services showed that the Logistics Base had not yet fully met expectations in performing its approved functions of:

(a) Receiving, inspecting, repairing and storing surplus assets from closing or downsizing missions;

(b) Maintaining a reserve of equipment in the form of mission-ready start-up kits.

Further, the Logistics Base had been unable to perform a technical evaluation of equipment in stock, had not established proper inventory recording procedures and was only able to provide limited services to new and expanding misions.

The review showed that much of the reserve stock of equipment and supplies was in poor condition, and would have to be written off. However, little had been done in that regard, and there was a need to establish special administrative procedures for reporting non-expendable equipment to headquarters and for writing off unusable equipment and supplies. Also, mission-ready start-up kits, intended to ensure that new missions could be established quickly, remained incomplete owing to the unavailability of required material from reserve stock and the lack of funding to purchase new materials. Finally, the classification portion of the Matériel Management Project, which had been initiated on a trial basis, to address peacekeeping asset management problems, was inadequately planned.

It appears that these problems were primarily a result of inadequate organizational structure and insufficient financial and human resources, which in turn made it difficult to create stability and implement the systems needed to make the Logistics Base concept work.

In addition to its approved functions, the Logistics Base was established as a central communications hub linking United Nations Headquarters with missions in Asia and the Middle East. Recent proposals would further expand Logistics Base functions to encompass additional activities such as global asset management for peacekeeping missions. The Office believes that such new functions should only be undertaken after careful cost analysis and specific legislative approval.

The Department of Peacekeeping Operations stated that a revised and less ambitious concept for the Logistics Base was being developed. With regard to the pressing requirement for an asset management system, several available options would be reassessed.

B. Recommendations

In order to address the problems outlined above and to enhance the effectiveness and efficiency of the logistics base concept, the Office recommends that:

(a) Closing missions provide accurate inventory data when shipping materials to the Logistics Base;

(b) The Logistics Base expeditiously determine the serviceability of materials and supplies by conducting technical reviews;

(c) The Logistics Base give priority to high value equipment when performing receipt and inspection functions;

(d) Procedures for recordkeeping and for write-off and disposal of used peacekeeping equipment be simplified;

(e) Only equipment expected to be used in future peacekeeping missions be shipped to the Logistics Base;

(f) Efforts to complete start-up kits be intensified;

(g) Codification of assets initially focus on non-expendable equipment in usable condition;

(h) Specific legislative approval be obtained for any additional functions of the Logistics Base.

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I. INTRODUCTION

1. The United Nations Logistics Base, consisting of the main facilities at Brindisi, Italy, and additional container storage areas at San Pancrazio, Italy, is considered to be an excellent logistics complex for the storage and maintenance of United Nations assets from closing and downsizing peacekeeping missions. These facilities have the potential, if effectively managed, to play a key role in providing materials for future peacekeeping missions, thereby saving the Organization considerable resources.

2. According to the report of the Secretary-General on the management of peacekeeping assets (A/50/907), the principal functions of the Logistics Base are:

(a) To receive, inspect, repair and store surplus assets from closing or downsizing missions;

(b) To maintain a reserve of equipment in the form of start-up kits.

The Department of Peacekeeping Operations is considering involving the Logistics Base in additional functions including global material management for peacekeeping operations.

3. In the same report (A/50/907), the budget requirements of the Logistics Base for the period from 1 July 1996 to 30 June 1997 were estimated at US$ 7,875,000 gross. An approved budget for the Logistics Base would go a long way towards creating a stable financial climate that would replace the present unsatisfactory ad hoc arrangements whereby the Logistics Base is financed from resources of the United Nations Peace Forces (UNPF).

4. The Office of Internal Oversight Services conducted a field audit of the Logistics Base from 5 to 18 May 1996, with a follow-up audit from 25 to 30 November 1996. The primary objective of the audit was to assess the operational and administrative procedures of the operation and to evaluate the extent to which the operation had achieved its stated functions. The Office examined relevant records, made physical inspections of stock and performed the tests it considered necessary. The present report is submitted to provide insight into the effectiveness and efficiency of the functions carried out by the Logistics Base.

II. MAJOR FINDINGS AND RECOMMENDATIONS

A. Financial arrangements

5. In the past, the United Nations Logistics Base had no budget of its own. Its financial needs were met from the budget of UNPF. Meanwhile, the Secretary-General proposed a 12-month budget for the period from 1 July 1996 to 30 June 1997, amounting to $7,875,000, with costs to be shared among the budgets of all active peacekeeping missions on a pro rata basis. The Advisory Committee on Administrative and Budgetary Questions recommended in its 26 June 1996 report

on the management of peacekeeping assets (A/50/985) that the General Assembly approve the proposed budget estimates. As of January 1997, the Logistics Base still had no approved budget.

6. The establishment of the Logistics Base as a separate entity from UNPF, both financially and operationally, will give the Base a reliable basis for assuming its approved functions. However, in view of the new communications function of the Logistics Base, the planned asset management functions, as well as backlogs identified during the audit, the Office was not convinced that the proposed budget would be sufficient to enable the Logistics Base adequately to perform all its intended functions.

B. Functions of the United Nations Logistics Base

7. Recent proposals outlined in the 29 May 1996 report of the Secretary-General on the management of peacekeeping assets (A/50/965) and in the paper on the Matériel Management Project submitted by the Assistant Secretary-General for Planning and Support, if implemented, would expand the functions of the Logistics Base. According to the proposals, the Logistics Base would be responsible for the development and maintenance of the planned global master inventory database. In addition, the Matériel Management Project would assess the feasibility of managing and accounting for petrol, oil and lubricants, rations and consumable items through the Logistics Base. These activities are not within the current mandate of the Logistics Base and have not yet been implemented.

8. The Logistics Base recently augmented its role in providing communications services as the central hub linking United Nations Headquarters with missions in Asia and the Middle East. Although considerable resources are being spent on establishing the communications hub, the new role was not mentioned in recent Secretariat reports on the activities of the Logistics Base.

9. The Office believes that for all major Logistics Base functions legislative approval and adequate resource allocations should be sought. Prior to any decision, a cost benefit analysis should be carried out for every new Logistics Base function.

> Recommendation 1. The Office recommends that the Logistics Base assume additional functions only after analysis of their cost-effectiveness, and after receiving legislative approval and adequate resources. (AP96/127/001)

C. Management of the reserve stock

Inventory records should be accurate and current

10. The management of a large inventory of disparate types of equipment and numerous types of supplies requires an adequate inventory system. Given that the Logistics Base currently serves 11 peacekeeping missions, reliable and

accurate information on items on hand is essential for users to be aware of what is in stock.

11. Inventory records should provide an up-to-date listing of what is available and should include specific information, such as quantity on hand, serial numbers, description, condition and value of the item. The audit found that in many instances the information was not available. When available, the data were often found to be incorrect.

12. Various reasons exist for the incorrect inventory data. For example, the Logistics Base relies to a great extent on the records provided by the mission shipping the equipment. In many cases, however, detailed records were not provided for all items shipped or they were inaccurate. Data from supply catalogues, purchase orders, invoices and other documentation could provide some basis for assigning values, but this is a time-consuming task that should not be undertaken by the Logistics Base. More stringent guidelines for closing missions should be developed to prevent such situations and avoid unnecessary costs.

13. The audit also revealed that discrepancies exist in quantities reported in inventory records. Priority should be given to ensuring that receipts and issues of equipment and supplies are recorded on a timely and accurate basis. According to information provided to the Advisory Committee on Administrative and Budgetary Questions (A/50/985), the inventory value of the Logistics Base's equipment and supplies was reduced from an estimated $76 million in late 1995 to a current estimate of $20 million. Since this estimate is valued at original acquisition cost, the residual value would be much lower than $20 million. The report attributed the reduction to write-offs and transfers to other missions. However, based on the audit testing of the Logistics Base's inventory records, the Office questions the accuracy of these figures. In view of the annual costs of the Logistics Base of more than $7 million, the actual value of the assets stored is a key element in assessing the cost-effectiveness of the Base. Additional efforts are therefore needed to establish an accurate inventory value.

14. The Logistics Base management stated that the problems disclosed by the audit largely resulted from an inadequate number of staff to receive and inspect materials properly and enter data in the system. Furthermore, the Department of Peacekeeping Operations advised the Office that a service contract was now in place to review all items in the asset inventory and to update records.

> Recommendation 2. The Office recommends that the Department of Peacekeeping Operations develop procedures to ensure that essential information for the recording of inventory is provided when closing missions ship materials and supplies to the Logistics Base. (AP96/127/002)

Technical evaluation of equipment is required

15. The very nature of a reserve stock requires that the equipment and supplies be maintained in serviceable condition and be ready for use. However, the Office's physical inspection of the Logistics Base's inventories and subsequent

inquiries found many instances where the equipment and supplies shown as reserve stock were obsolete or otherwise unusable for future missions.

16. The limited physical inspection included examination of generators, light and heavy vehicles, various types of water purification plant and equipment, spare parts for helicopters and tanks, expendable supplies, computer and communications equipment, as well as attractive items. These items were stored either in warehouses, containers or outside storage areas. The examination found that at least 50 per cent of the generators were not in serviceable condition. The Office was also provided with a list indicating additional work required on the generators, which confirmed the result of the physical inspection.

17. Many of the light and heavy vehicles physically examined as part of the inspection were in extremely poor condition despite the fact that some had only been used for as little as 4,000 kilometres. The Office was informed that most of the trucks as well as many of the light vehicles could not be used except for spare parts and would have to be disposed of.

18. A similar situation exists with other equipment examined such as television sets, computer equipment and other electronic items. Again, the Office found that no technical evaluation had been carried out to determine the serviceability of those items. The Logistics Base intends eventually to use service contractors to perform that task once funds have been made available from the proposed budget. The Office has to reiterate, however, that most of these items had been received close to one year earlier and had still not been properly classified.

19. As noted in the report of the Advisory Committee on Administrative and Budgetary Questions (A/50/985), the Logistics Base is conducting an extensive review of the inventory to determine its serviceability and expected useful life. However, the Office remains concerned that at the time of the audit, the Logistics Base had not even commenced that vital task. Thus, the United Nations has no assurance that equipment sent to other missions is in working condition and that inventories are not inflated by the value of unserviceable equipment that should have been written off.

> Recommendation 3. The Office recommends that the Logistics Base expeditiously perform a technical evaluation of material and supplies as they are received in order to determine the serviceability of assets and to assure accurate information. (AP96/127/003)

Reports of non-expendable property not completed

20. Reports of non-expendable property were not being completed as required by United Nations financial regulations owing to unreliable inventory records. Notwithstanding the inadequacy of those records, the Office has serious doubts whether such reports would provide any additional benefit either to the Logistics Base or to United Nations Headquarters. The Logistics Base does not normally purchase new materials but, rather, serves as a storage facility for used assets received from closing missions. As such, the reporting requirements

may not need to be as stringent as those applicable to the purchase of new equipment from budget allotments.

21. For example, most items received by the Logistics Base are in used condition and in many cases the residual value of the items is below the threshold requirement for non-expendable accounting treatment. Nonetheless, under existing rules, all equipment is recorded at original purchase price and requires the completion of a form for non-expendable property. The Department of Peacekeeping Operations maintains that the implementation of the Matériel Management Project will streamline reporting requirements. The Office believes, however, that the applicable reporting requirements should be modified immediately.

> Recommendation 4. The Office recommends that the Department of Peacekeeping Operations, in consultation with the Office of Programme Planning, Budget and Accounts, review the existing non-expendable property reporting requirements with a view to developing simplified record-keeping procedures for used peacekeeping equipment. (AP96/127/004)

Receipt and inspection process incomplete

22. The receiving and inspection function is a priority task that should be completed on a timely basis. This is particularly true where valuable materials with special storage requirements are involved. The Logistics Base has expended considerable resources over the past year to complete the receiving and inspection function for incoming shipments. While there has been significant progress, several shipments had not yet been inspected.

23. For example, the Office found that containers shipped from the United Nations Operations in Somalia containing helicopter and M-60 tank spare parts valued at over $6 million had never been opened. One of these containers held helicopter spare parts valued at more than $1 million. The physical inspection revealed that this container was in poor condition and that water had leaked into it causing damage to some of the contents.

24. The Office was subsequently informed that a military team had recently been dispatched to the Logistics Base to carry out a technical inspection of the spare parts. Nevertheless, the Office believes that with better planning the situation would not have occurred.

> Recommendation 5. The Office recommends that priority be given to inspecting equipment and supplies with high dollar values in order to ensure that the equipment does not deteriorate while awaiting inspection. (AP96/127/005)

Administrative procedures for the write-off and disposal of worthless equipment and supplies should be simplified

25. The Logistics Base management advised the Office that submissions had been made to UNPF to write off prefabricated buildings valued at approximately $1 million, as well as vehicles and equipment, also valued at approximately $1 million. Once the entire reserve stock has been technically evaluated, a

huge amount of equipment will have to be written off. This unique situation requires special administrative write-off procedures to be developed for the Logistics Base. Timely action is necessary in order to purge the Logistics Base stock of obsolete and useless equipment. The Office believes that both the Department of Peacekeeping Operations and the Department of Administration and Management should review the current procedures with a view to simplifying them.

26. The Department of Peacekeeping Operations advised the Office that it had suggested to the Department of Administration and Management that the disposal of assets with an inventory value of up to $25,000 be delegated to the Local Property Survey Board. The Headquarters Property Survey Board would, on an annual basis, be informed of the actions taken. In view of the special nature of the Logistics Base, such a procedure should be reviewed and expedited.

27. Part of the write-off process involves the disposal of equipment and supplies that have been found to be obsolete or uneconomical to repair. It is likely that there will be two classes of write-off items:

(a) Those that have no monetary value but will probably incur disposal costs;

(b) Those that have no future value to the United Nations but can be disposed of by sale.

The goal of the Logistics Base should be to dispose of these items in a cost-effective manner in compliance with local environmental and other regulations.

28. A Logistics Base exercise to dispose of approximately 260 motorbikes held in stock resulted in bids as low as $13 per motorbike. That offer does not appear to have been commensurate with the condition and value of the motorbikes. To ensure that the best possible bid prices are received for the sale of equipment and supplies, standard operating procedures are needed to ensure the process is adequately defined and sufficiently transparent. The Field Administration and Logistics Division informed the Office that it was in the process of formulating such procedures for inclusion in the new Operational Support Manual scheduled to be completed in late 1996. The Office considers such guidelines essential, and their completion should be given priority.

> Recommendation 6. The Office recommends that the Department of Peacekeeping Operations, in consultation with the Office of Programme Planning, Budget and Accounts, review financial rules 110.14 and 110.32 and the existing procedures for writing off United Nations property with a view to developing special procedures for the write-off and disposal of large quantities of obsolete and unserviceable peacekeeping assets. (AP96/127/006)

Equipment should be stored in appropriate conditions

29. The physical inspection of equipment and materials on hand found that sensitive items, such as electronic equipment, were not always stored in suitable conditions, although the Logistics Base has excellent storage

facilities in the form of warehouses. Existing facilities were not always put to optimum use.

30. The Logistics Base management pointed out that equipment stored in containers could not be adequately sorted and moved owing to the lack of staff resources. Nevertheless, the Office believes that the Logistics Base should at least examine the storage containers to determine their condition so as to protect equipment from physical deterioration. Secondly, priority should be given to storing sensitive and high value items in suitable warehouse facilities.

31. Furthermore, there was a lack of adequate planning in organizing equipment storage. During its inspection, the Office found that containers were repacked after being received and inspected without first segregating items by commodity groups and repacking them together. This would facilitate subsequent identification of items that may be required, and aid in their quick dispatch to missions.

Need for better planning of shipments sent from closing missions to the Logistics Base

32. A recurring problem previously reported was that closing or downsizing missions were shipping equipment and materials to the Logistics Base that was either obsolete, of little value or in such condition that it would not be economical to repair. This resulted in significant unnecessary costs for the packing, handling and shipping. In addition, costs are also incurred at the Logistics Base for customs clearance, transportation, unpacking and possible disposal costs when the material cannot be sold.

33. Materials and supplies sent to the Logistics Base should also be the type of items expected to be used in future missions. This will avoid retention of materials in stock that will eventually have to be disposed of. As an illustration, it is anticipated that UNPF will have a huge quantity of surplus generators, accommodation containers, water tanks, electronic equipment and other high value items that will have to be disposed of in some manner. The Office believes that it is imperative to analyse what equipment and supplies will be required for future missions before items are shipped to the Logistics Base. While this will entail projecting the level of anticipated peacekeeping activity, the Office believes that such policy guidelines are necessary for the effective management of resources.

34. As the Office has reported on previous occasions, there is a need to review the planning process for shipments to the Logistics Base. While general guidelines have been established, the Office believes that further efforts must be made to prevent unnecessary shipments in future mission liquidations.

> Recommendation 7. The Office recommends that the Department of Peacekeeping Operations only authorize shipments to the Logistics Base of such assets that are anticipated to be required for future peacekeeping operations or for inclusion in start-up kits. (AP96/127/007)

D. Start-up kits

Start-up kits are incomplete

35. Once peacekeeping activities have been mandated by the Security Council, the Organization is required to respond quickly by dispatching the necessary personnel and materials to the crisis area. Therefore, the Secretary-General in his 3 July 1995 report on the management of peacekeeping assets: surplus asset storage facilities and mission-ready start-up kits (A/49/936) promoted the concept of preparing and maintaining mission-ready start-up kits.

36. Over the past year, the Logistics Base has been attempting to assemble the required start-up kits from materials received from closing missions, partly supplemented by the purchase of new equipment. The review of start-up kits and of progress achieved in establishing them disclosed that the concept of start-up kits was still far from being workable.

37. According to data supplied by the Logistics Base, of the 22 major categories of equipment and supplies included in the start-up kits three categories (accommodation equipment, communications equipment and computer equipment) have been partially completed. However, none of the other categories (such as catering equipment, electrical equipment, materials for shelter, rations, vehicles, and water and fuel tanks) had, at the time of the audit, any materials assigned to them.

38. The Logistics Base management explained that many of the required items were not available from the reserve stock and new items had not been purchased. With completed start-up kits valued at approximately $3.4 million, it was intended to defray that cost as much as possible by using materials from the existing reserve stock and purchase only certain items that could not be provided from stock. However, no budget provision has been made for such purchases.

39. The items going into the start-up kits may be too comprehensive and may include items not necessary at the start-up phase of new missions. In this regard, the Office questions the requirement for items such as network servers and sophisticated electronic equipment, which cannot be readily installed at the beginning of the mission without sophisticated technical expertise. The Office believes it is necessary to review the list of items going into the start-up kits to determine that they are, in fact, critical to the readiness of new missions.

40. The Department of Peacekeeping Operations acknowledges that the process of assembling start-up kits has been slow, but indicated that the process is gathering momentum now that additional equipment and supplies are available from the liquidation of UNPF. The Department intends to lower the number and scope of the start-up kits. Nevertheless, the Office believes that the requirement to purchase certain items will remain and that a budget should be proposed for that purpose.

Recommendation 8. The Office recommends that the Department of Peacekeeping Operations intensify its efforts to ensure the completion of start-up kits for deployment to new missions, limit start-up kits to materials essential for the start-up phase of missions and make the necessary budget proposals to purchase new items not expected to be available from the reserve stock. (AP96/127/008)

E. Codification of assets

41. The Department of Peacekeeping Operations has embarked on a major project to develop a global asset management system. As part of its audit, the Office conducted a limited review of the implementation of one major component of the Matériel Management Project, namely the classification of assets and supplies at the Logistics Base. It was intended to use the classification codes of the North Atlantic Treaty Organization (NATO) as a common system to identify all United Nations assets and supplies. The classification exercise commenced in the first half of 1995 with the appointment of a codification team consisting of two national military officers. Their basic purpose was to establish the systems and procedures to enable the codification of the Logistics Base inventory. Ultimately, it is intended to apply the system on a worldwide basis to all peacekeeping missions.

42. The codification team was, at the time of our audit, coding non-expendable equipment as well as expendable supplies consisting mostly of vehicle spare parts. Out of the approximately 22,000 items held by the Logistics Base, approximately 3,300 items had been codified to date. The review indicated that many of the items to be codified were either obsolete or unlikely to be used by the United Nations again. In addition, reliance is placed on inventory records that do not indicate the condition of the items being codified. The Office therefore questions the value of exerting a major effort on codifying such parts and equipment. The Office believes that prior to codification the items to be codified should be technically evaluated in order to determine their condition and future value to the organization. The Office also believes that the codification should initially focus on non-expendable equipment.

43. The Advisory Committee on Administrative and Budgetary Questions in its 26 June 1996 report on the management of peacekeeping assets (A/50/985), requested that the results of the project be reported to the General Assembly, together with an analysis of all possible alternatives to the development of a new codification system, after completion of the six-month trial period.

44. The Department of Peacekeeping Operations indicated that the requirement for an asset management system existed independently of the Logistics Base and that it was intended to reassess several available options. Subsequent to the audit and as a separate assignment, the Office has provided, through its Management Audit and Consulting Section, consulting services to the Department of Peacekeeping Operations with regard to the system design methodology, the project management and the resource requirements.

Recommendation 9. The Office recommends that the coding efforts under any asset management system be initially focused on non-expendable equipment that is in usable condition. (AP96/127/009)

(Signed) Karl Th. PASCHKE
Under-Secretary-General
for Internal Oversight Services

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PROGRAMME BUDGET FOR THE BIENNIUM 1996-1997

REPORT OF THE SECRETARY-GENERAL ON THE ACTIVITIES OF THE OFFICE OF INTERNAL OVERSIGHT SERVICES

Note by the Secretary-General

1. Pursuant to General Assembly resolutions 50/214 of 23 December 1995 and 48/218 B of 29 July 1994, the Secretary-General has the honour to transmit, for the attention of the General Assembly, the annexed report, conveyed to him by the Under-Secretary-General for Internal Oversight Services, on the review of outsourcing practices at the United Nations.

2. The Secretary-General notes that measures have been taken or initiated to correct many of the issues addressed in the review and concurs with the recommendations contained in the report.

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ANNEX

Report of the Office of Internal Oversight Services on the review of outsourcing practices at the United Nations

SUMMARY

The United Nations has been outsourcing a number of services in order to provide support for its day-to-day operations. The Office of Internal Oversight Services undertook a comprehensive audit of outsourcing practices at the United Nations, which consisted of several audits conducted at several duty stations and missions and covered a wide range of services.

Outsourcing, if managed properly, can be a viable means for achieving efficiency, effectiveness and cost reduction, in addition to providing the expertise the United Nations requires to supplement its personnel. This could also allow programme managers to concentrate on substantive activities and better perform the Organization's core functions. However, our audits indicated a need for policy guidelines on outsourcing and for improvements in the contract award and contract administration processes.

The audits reviewed the following aspects of outsourcing practices: (a) effectiveness of overall outsourcing to date; (b) contracting process of outsourced services and adequacy of its internal controls; (c) monitoring of contractors' performance by management to ensure that service delivery complied with contract terms; and (d) management's process of decision-making and analytical support. The Office recommends policy and/or procedural changes to enhance the efficiency of future outsourcing efforts.

Our major findings and recommendations are:

(a) There is no Organization-wide policy on outsourcing. The lack of policy guidelines has contributed to the inconsistent outsourcing approaches by programme managers. There is a need to develop Organization-wide policy guidelines for the effective management of outsourcing;

(b) Outsourcing should accomplish one or more goals, ranging from acquiring technical expertise, cost savings, efficiency and expediting a process to providing temporary assistance. The Office found, however, that few programme managers were able to identify the extent of goals achieved;

(c) Successful outsourcing of services depends greatly upon proficient management of the procurement process. The Office has disclosed a number of cases of non-compliance with procurement procedures. It has also identified a number of weaknesses in the Request for Proposal process, including inadequate maintenance of contract documentation and limited market research and competition;

(d) The Office's audits disclosed that, for the majority of outsourcing contracts reviewed, programme managers did not formally evaluate the vendors' performance. In fact, programme managers rely heavily on vendors to provide information with minimal verification. The lack of proper monitoring of vendors' performance seems to be a major weakness in outsourcing practices in the United Nations. Thus, there is a great need to ensure monitoring of vendor performance;

(e) Outsourcing can be a positive innovation while having an impact upon staff prospects for employment and career development. The Office therefore recommends the establishment of a focal point within the Department of Administration and Management who would be responsible for: identifying potential areas for outsourcing, providing methodological support for cost-benefit analyses, developing criteria and initiating market testing of selected activities to determine whether they should be performed by outside providers.

The review concluded that the Organization should give serious consideration to expanding the use of outsourcing where justified by a cost-benefit analysis. In order to achieve intended gains in efficiency and effectiveness, however, it is crucial to ensure vigilant monitoring/evaluation of the outsourcing exercise.

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I. INTRODUCTION

1. In its resolution 50/214 of 23 December 1995, the General Assembly requested the Office of Internal Oversight Services "to undertake a comprehensive audit of the outsourcing practices, including, in particular, the contracting process, and to report thereon to the General Assembly at its fifty-first session" (part III, para. 55).

2. For the purpose of the present review outsourcing has been defined as "the provision by third parties of non-core services and activities which used to be, are or could be provided by the United Nations". The United Nations has outsourced a variety of support services, including catering operations, travel, computer installation and maintenance, software applications development and support, building maintenance and cleaning.

3. At the Secretariat, the Procurement and Transportation Division of the Office of Conference and Support Services has overall responsibility for the Organization's procurement/contracting process and therefore plays a large role in the outsourcing efforts of the United Nations. Individual programme managers also play a crucial role in technical evaluation and the contract administration part of outsourcing exercises.

4. At Headquarters, as part of the same office, Conference Services and Support Services (including the Buildings Management Service and Electronic Services Division) are principal users of outsourcing as a means of providing a variety of services to the Organization. Outsourcing services contracted for at offices away from Headquarters or in the field are usually administered locally.

II. OBJECTIVES

5. The main objectives of the audits were:

- To evaluate the effectiveness of outsourcing to date and recommend policy and/or procedural changes to enhance future outsourcing efforts;

- To review the process employed in contracting outsourced services to assess the adequacy of internal controls;

- To determine whether contractor performance was adequately monitored to ensure that service delivery complied with contract terms;

- To review management's outsourcing decision-making and analytical support processes to determine if each outsourcing decision was based on a thorough review of the current service requirements and an examination of all possible options for service provision.

III. SCOPE

6. The audits reviewed a broad array of outsourcing-related contracts and services provided since 1990 by the Secretariat in New York, by the United Nations offices at Geneva (UNOG), Nairobi (UNON) and Vienna (UNOV), the Office of the United Nations High Commissioner for Refugees (UNHCR), the International Trade Centre (ITC), as well as by peacekeeping missions in the former Yugoslavia (United Nations Peace Forces (UNPF)), Haiti (United Nations Mission in Haiti (UNMIH)) and Angola (United Nations Angola Verification Mission III (UNAVEM III)). The outsourced services reviewed are diverse, and include translation, catering, garage administration, telecommunications, cleaning, office automation, printing and publication, logistical support, transportation, and storage and distribution of publications (see appendix). Whereas some of these services, such as cleaning and maintenance, had been outsourced from the outset of the United Nations, others, such as garage administration, had been performed by the United Nations staff until very recently.

7. A number of contracts reviewed (although not a scientific sample in terms of either total volume or total dollar value) provide a comprehensive view of the Organization's outsourcing activities. The Office audited directly more than 25 contracts and agreements valued at more than $100 million. The review also took into consideration previous audits which contained recommendations of service areas which may be candidates for future outsourcing efforts. The scope of the review was coordinated with the Joint Inspection Unit.

IV. METHODOLOGY

8. The review was performed with a view to highlighting major issues and concerns of a policy nature. The methodology included structured interviews with the responsible officers, review of relevant documents and, where possible, benchmarking to industry standards. Financial and administrative control issues identified during the review were communicated directly to the individual programme managers for corrective action, and have not been included in the present report. The current literature in the fields of procurement/contracting and outsourcing was consulted to validate the approach to outsourcing reported herein.

9. The draft of this report was provided to the Office of Conference and Support Services for comments. Their responses have been incorporated in the final report, where appropriate.

V. MAJOR FINDINGS AND RECOMMENDATIONS

10. Outsourcing, if managed properly, can be a viable means for achieving efficiency and effectiveness, in addition to providing the expertise that the United Nations requires so as to supplement its personnel. This could also allow programme managers to concentrate on substantive activities and better perform the Organization's core functions. However, the Office's audits indicated that there is a need for policy guidelines on outsourcing and for improvements in the contract award and contract administration processes. The

sections below focus on those findings and recommendations that were common to most of the audited areas and have general application for the successful implementation of the outsourcing process. They should facilitate a greater understanding of the strengths and weaknesses in the current outsourcing process and provide a blueprint for future action.

A. Need for Organization-wide policy on outsourcing

11. In initiating this review, the Office sought to determine if any policy had been established prescribing either method or manner in which outsourcing of services was to occur. It was not possible to locate any such policy, and therefore it was necessary to establish the criteria against which to measure the outsourcing performance. The Office believes that the lack of policy guidelines has contributed to inconsistent outsourcing approaches taken by programme managers throughout the Organization. This has had a critical impact both on costs and the quality of services provided, in that contract terms are not always advantageous to the United Nations. For a majority of the outsourced services reviewed, programme managers lacked either technical or contracting expertise, and needed guidance on best practices in structuring and administering contracts.

> Recommendation 1. The Office recommends that, prior to any expansion of outsourcing activities, the Department of Administration and Management formulate and articulate the policy objectives and develop guidelines for the effective management of the outsourcing process. (AM96/224/001)

12. The policy statement should include a working definition of "outsourcing" and be explicit in prescribing both standards of service and financial objectives. The guidelines should include the following:

- Criteria for determining when a service becomes a candidate for outsourcing;
- Quantitative and qualitative analyses prerequisite to the decision-making process;
- Processes to be followed in specifying the Organization's requirements and developing the bid document;
- Contract administration requirements, including monitoring of vendor performance, and contract evaluation;
- Standard clauses to be included in every contract.

The Office believes that establishment of these policy guidelines would better assure the success of the outsourcing initiative.

B. Definition of "outsourcing"

13. As mentioned above, there is no standard operational definition for "outsourcing" within the United Nations. As the appendix indicates, outsourcing practices at the United Nations take different forms, ranging from service or personnel contracts and purchase orders to the use of Special Service Agreements (SSAs). As a result, a review was carried out of numerous "outsourced" services and their contracts which, although initially identified as outsourcing, were in fact management's efforts to supplement departmental personnel resources.

14. The Office ascertained that the majority of departments included in the review did not conduct cost-benefit analyses and/or market research prior to letting their service contracts, and therefore had no objective method of determining whether the use of service contracts was the most efficient and cost-effective method to achieve the desired results.

15. The Office found that, for such services as office automation support, translation and cleaning, programme managers continued to assume responsibility for the actual provision of the services, with contractors' staff furnishing assistance. In effect, the contractors' staff functioned as United Nations staff without the contractor assuming any liability for contractual performance. In these cases, the contractor provides staff rather than services.

16. If the Organization's ability to deliver service is hampered by a lack of personnel, this should be clearly identified as the problem. This will enable the Organization to determine the optimal strategy for providing these services, whether it be through outsourcing the service, allocating funding for additional staff or hiring consultants on a temporary basis. In the current situation, however, outsourcing is too often employed as a "reactive" management strategy to supplement limited personnel resources.

C. Achievement of outsourcing goals

17. When an organization decides to outsource non-core services, it generally aims to accomplish one or more of the following:

- Acquire technical expertise not available within the Organization;
- Achieve cost savings;
- Expedite a process or processes;
- Provide service more efficiently;
- Provide a service not needed on a long-term basis.

In order to assess the success of the outsourcing effort, the Office first sought to determine what its impetus was. Management's decision-making process was reviewed to identify which of the above considerations led the managers to pursue their outsourcing strategy.

18. With the exception of garage administration and translation services, which conducted thorough cost-benefit analyses, the programme managers did not articulate their reasons prior to making the decision to outsource certain services and activities. In the absence of this critical information, it was impossible to establish the extent to which the stated objectives had been achieved.

19. Indeed, at the conclusion of each contract, with no benchmarks against which to measure success, management has been unable to judge whether the outsourcing exercise was effective and should be continued, or was deficient, requiring consideration of alternative strategies. The Office found that the expected economies had been achieved for garage administration. With regard to translation services at Headquarters, greater economies could have been realized if more outsourcing had been implemented.

20. An attempt was made to evaluate the outsourced activities by applying cost-effectiveness as the principal benchmark, but it was impossible to establish that most of the outsourced activities had achieved this objective. Firstly, as most of the audits pointed out, the United Nations accounting system is not activity-based and therefore it is not easy to associate costs with corresponding activities. Secondly, most of the operations would need significant improvement in their management control systems to facilitate analysis or to achieve the desired result. However, it was possible to establish that, in some cases, outsourcing was more costly than providing in-house services. At UNMIH in Haiti, for example, after the camp maintenance and laundry services had been taken in-house, substantial cost savings were immediately realized; monthly costs were reduced by 66.5 per cent from $157,288 to $52,870.

21. Some services, such as office automation support and contractual translation, are provided by individuals through Special Service Agreements. In the Electronic Services Division, Special Service Agreements have proved to be a more economical means to provide personnel than service contracts. Despite the rapid expansion of the Organization's use of, and its dependence on, computer technology, the Division was not given sufficient posts to respond to the new requirements. Its decision to convert outsourcing contracts to SSAs was the strategy employed to overcome its problem of understaffing. When the office automation support service contract was expiring, the Division conducted a cost comparison between the use of service contracts and Special Service Agreements, which indicated that Special Service Agreements could provide savings to the Organization.

22. However, owing to the limited duration (normally six months within a given year) of Special Service Agreements, exceptions had to be made for the Division to ensure the provision of services over an extended period of time.

> Recommendation 2. Given that the Organization will continue to need to hire technical expertise in the areas of rapidly changing technology, the Office recommends that the Department of Administration and Management explore other alternatives to Special Service Agreement arrangements to facilitate a longer-term solution. (AM96/224/002)

23. The Office noted that, for contractual translation, Headquarters relies on service contracts awarded to agencies (after competitive bidding) for some languages (Chinese and Russian) and Special Service Agreements for the others (Arabic, English, French and Spanish). Similarly, UNOV uses agencies for some languages (Chinese, Spanish and Russian) and Special Service Agreements for the others. While both approaches were equally effective, there was little communication between the offices on the effectiveness of either strategy.

Recommendation 3. For the future, the Office recommends that offices using the same or similar outsourced services share their mutual experiences and knowledge. The recommended focal point on outsourcing (see recommendation 13) should promote this process. (AM96/224/003)

D. Strengthening the pre-bid process

24. Successful outsourcing of services depends greatly upon proficient management of the procurement process. There are two major phases in the procurement process. The first is the pre-bid, which encompasses specification development, market research and advertising or identifying the vendor base. The second phase relates to the conduct of the bid process itself. Issues pertaining to the bid process will be addressed separately in section II.E.

1. Need for comprehensive bid documents and tight contractual requirements

25. The review identified a number of areas within the pre-bid process which could be improved. Development of good, clear, detailed bid specifications, based on reasonable estimates of levels of service to be provided, are critical to the formulation of a solid bid document. The quality of the proposals submitted by vendors will depend, in part, on the quality of the bid document issued by the United Nations. The Office discovered instances where inaccurate estimates or unclear description of services required resulted in contract terms disadvantageous and, at times, more costly to the United Nations.

(a) Specifying requirements

26. In the case of Headquarters cleaning services/elevator operators contract, estimates of certain large-value cost elements were not included in the original contract. In addition, during the contract term there were numerous changes to service requirements and salary rates (hiring of additional staff, salary increments, etc.) which were not formalized as amendments to the contract. As a result of the above situation and inadequate monitoring of expenditures on the part of the United Nations, the contractor was paid $4 million in excess of the contract's original estimated value as approved by the Headquarters Committee on Contracts. These unforeseen expenses, though properly documented and verified, had a negative impact on the accuracy of the budget estimates. The contract also did not include a penalty or compensation clause concerning the obligation of the vendor to deliver cleaning supplies at the lowest prices.

27. In its response to the draft report, the Procurement and Transportation Division stated that, as a result of the Organization's experience in this area, the new bidding exercise conducted earlier in the year has attempted to address those issues.

28. In the case of the Headquarters office automation support services contract, the original Request for Proposal did not define the Electronic Services Division's staffing requirements and used a benchmark of 18, which proved to be unrealistic. Six months after the contract had become effective, the service level had increased to 24. Subsequently, it more than tripled to over 60. Even though there were certain factors which the Division could not have anticipated, such as the explosion of the LAN, the Office believes that if the Division had developed a more thorough scope of its service requirements, the unit cost could have been reduced. Indeed, given the expanded scope that emerged, additional vendors may have been induced to respond to the Request for Proposal.

29. The United Nations awarded a catering contract at Headquarters whereby the Organization subsidized the operation by financing building space, utilities, maintenance, etc. The contract did not stipulate any profit-sharing between the contractor and the United Nations, resulting in the contractor retaining the entire profit generated during the contract term. The rationale for this catering concession and contractual arrangement was to offer lower food prices to the United Nations employees. However, this expectation was not clearly stipulated in the contract and the anticipated benefit not required to be verified by the contract managers.

30. In its response to the draft report, the Buildings and Commercial Services Division stated that the Request for Proposal for the management and operation of the catering facilities at the United Nations Headquarters, New York, which is now being finalized, seeks to recover any and all costs incurred by the Organization in outsourcing this contract. At the same time, it provides a possibility for a revenue-sharing element as a percentage of gross sales.

31. In the case of the staff transportation services provided at UNON, the vendor that was awarded the contract, as the lowest bidder, increased its prices only two months after signing the contract and requested higher monthly rates resulting in increased costs of almost 46 per cent. Yet the contract was renewed each year despite this experience.

(b) Penalty clauses

32. In most of the contracts and services reviewed, the Office's auditors pointed to the need for inclusion of penalty clauses. For example, in the provision of telecommunication services for UNMIH, the company failed to deliver the services on time and provided lower-grade circuits than specified. The contract did not prescribe penalties for late performance and substandard service, which, it was established, had a negative impact on operations.

33. Most of the contracts do not provide penalties for contractor malperformance or non-performance. In those cases, the only remedy is to cancel and rebid the contract. The expense and time required to rebid the contract as

a means of responding to minor infractions by the contractor is likely to be non-productive. The contract should provide managers with enough latitude to ensure that contract terms are met. Penalty clauses will enable managers to assess fines against a vendor for non-compliance in specified areas without necessitating contract cancellation.

Recommendation 4. The Office recommends that procurement services ensure that contracts for outsourcing include penalty clauses. (AM96/224/004)

(c) Contract price

34. An area needing improvement and guidelines is the specification of the contract price. The Organization initially awarded contracts mostly on a cost-plus basis. However, recent experience has demonstrated the advantages of a fixed-price contract so long as the scope of service is well defined and service delivery is controllable. Benefits to the Organization include the ability to improve the planning and control processes and reduced contract administration requirements. The Office found that the contracting process for the cost-plus Headquarters cleaning services contract was often extensively delayed owing to numerous amendments and specification adjustments which were time-consuming, labour-intensive and, finally, costly.

(d) Errors in completing the contract

35. There is a need to tighten the contracting process at completion. The Office found two cases in which companies came into existence after the contracts had been awarded, and although not the awardees of the contracts, or even related companies, they were allowed to sign as the contracting party. These cases relate to the contractors for provision of storage and distribution of publications at UNON, and for the provision of international contractual personnel at UNPF.

2. Need for training in developing contract Specifications

36. Part of the reason for poor bid specification development can be attributed to the fact that certain of these services had never been outsourced and programme managers did not have sufficient expertise in this area. If the Organization is to continue and/or expand its outsourcing efforts, managers' skills in this area have to be strengthened.

Recommendation 5. The Office recommends the provision of training to relevant personnel in developing contract specifications. (AM96/224/005)

3. Market research and benchmarking

37. Market research is another element that assures successful development of a bid document. Information regarding the number and type of entities that provide a specific service as well as knowledge of standard industry rates and practices would enhance the quality of the bid document. Benchmarking of costs,

productivity and other criteria can provide requisitioners and procurement personnel with realistic expectations regarding market opportunities.

38. The Office's audits indicated that often contracts were bid with minimal market research and no data on industry benchmarks gathered to support the bid process. The telecommunications and the cleaning and maintenance contracts typified this approach.

4. Increase in access to technical and professional databases

39. One reason for contract managers' failure to perform market research may be their lack of expertise in this technique. Another possible explanation is minimal access to substantial sources of information. There are numerous international databases, technical publications, professional associations and the Internet, all of which can be accessed by the procurement professional in order to obtain vendor and product information. Implementation of this option should become standard, not only in the procurement of outsourced services, but also in all procurement activities.

> Recommendation 6. The Office recommends that technical capability of procurement services should be enhanced through access to technical and professional databases. (AM96/224/006)

5. Expanded role for procurement services to include technical support/advice

40. Since procurement services have the main responsibility for the contracting process, they should perform market research and provide technical support in the form of consultative advice to the programme areas during the pre-bid phase of the process.

6. Increased emphasis on contract planning

41. Another issue which arose in many of the cases examined centred on planning. Inadequate planning was exhibited by the Buildings Management Service and the Electronic Services Division in their implementation of the outsourcing process. This is evidenced by the number of backdated contracts and amendments included in our sample. Contractors began service provision prior to the official completion of paperwork. Conversely, in other cases, such as cleaning and garage administration, contractors continued to provide service long after the contract expiration date.

42. By allowing contractors without a valid contract to provide services, contract managers foster an environment which can increase the Organization's liability. More importantly, however, lack of planning on the part of the contract manager can create a situation where there is insufficient time to complete the bid process. This, in turn, can have a negative impact on the operations or delay the delivery of services, as was demonstrated in the provision of telecommunication services and installation of equipment at UNMIH.

The United Nations negotiated the rations contract two months after the planned transition, and the service contract four months after the transition from the Multinational Force to a United Nations operation. In the meantime, services continued to be provided under a Letter of Assist. The delays cost the Organization $11.4 million because costs were higher under the Letter of Assist than under the contracts. Emphasis should be placed on incorporating sufficient lead time into the contract process, which should result not only in a reduction in the percentage of expired contracts but, more importantly, enable the contract manager to maintain control over the contracting process.

7. Development of an automated system to facilitate contract planning

43. The REALITY system is not currently being used as a contract management system. The Organization should consider automating its contracting process. One key feature of any off-the-shelf system selected should be a planning module which would allow the programme manager to build in "flags". These flags would notify the programme manager that a contract is due to expire, providing sufficient lead time to enable a solid procurement process. The time-frame associated with each flag would vary depending on the size and complexity of the project. This would also eliminate, or at least reduce, the need for retroactive contracts.

> Recommendation 7. The Office recommends that the Organization consider automating its contracting process, including a planning module to highlight contracts close to expiration. (AM96/224/007)

44. The Procurement and Transportation Division responded that such a system was already in use in the Division. To date this system had been maintained under a separate data processing system. The Division indicated that it was currently reviewing means of maintaining information more centrally.

45. The Office encourages this initiative and recommends that, until the database is accessible to all programme managers, the Division continue to assume responsibility for notifying programme areas of impending contract expirations.

8. Discouraging the use of sole source contracts

46. A number of contracts included in the present review were let without any bidding taking place. We strongly encourage the Headquarters Committee on Contracts/Local Committee on Contracts to enforce the policy of rejecting contracts which are submitted for approval and have not been bid on a competitive basis, except for the cases under financial rule 110.19. The contracts for the garage administration ($66,841) and for the conference attendants programme ($360,000) were awarded without giving vendors the opportunity to bid.

47. Competing bids provide the contract manager with a basis for comparison, opportunities to leverage negotiation strategies and the ability to create a

database of qualified vendors as a reference for future bid processes. Absence of bidding also leads to the appearance, if not the fact, of impropriety.

48. The same applies to the need for rebidding. Among the contracts reviewed, in a number of cases such as the three catering operations at Headquarters, UNOG and ITC, contracts were renewed without rebidding for as long as 10 years.

> Recommendation 8. The Organization should enforce a policy which requires programme managers who request contracts for approval that have not been subject to the bid process to justify the need for a sole source contract. (AM96/224/008)

Accepted justifications generally relate to specialized expertise unique to the vendor which is needed by the Organization or the urgent need to provide services on an emergency basis.

49. While many of the above recommendations relate to both standard procurement and the outsourcing process, the Office believes that, given the increased trend towards outsourcing, implementation of guidelines based on these recommendations should be made a priority for future outsourcing activities.

E. Need for improving the contracting process

50. Many of the contracts included in the present review were bid using a Request for Proposal methodology. There are many benefits to this contracting method, primarily, the ability to select a vendor based on criteria other than costs. Use of the Request for Proposal process is also a preferred bid method when contracting for new services where it is difficult to define the specifications comprehensively. Since for a number of programme managers this was a first attempt at contracting out a service, the Request for Proposal approach was an apt choice.

51. However, based on the cumulative data provided by this outsourcing experience, the Office believes there are a number of improvements which can be incorporated into the Request for Proposal mechanism to facilitate better management of the contracting process.

1. Development of standardized request for proposal guidelines

52. There appeared to be no standard guidelines for the conduct of the Request for Proposal process itself. Certain programme managers developed vendor bid lists, created evaluation teams and advertised the bid opportunity. Others either awarded sole source contracts, consistently renewed with the same vendor or sent the bid document to a pre-selected list of vendors. Often there was no written procedure describing how the evaluation of the vendor proposals was to be conducted. As a result, evaluation and selection processes varied widely from contract to contract.

Recommendation 9. The Office recommends that procurement services develop standardized Request for Proposal guidelines for programme managers to follow. (AM96/224/009)

The Office was informed by the Office of Conference and Support Services that this will be addressed in the new Policy and Procurement Manual.

2. Maintenance of contract documentation

53. Departments rarely could provide documentation (including vendor proposals) to support the decision of the technical evaluation team. Therefore, an analysis of the selection process by the auditors was not possible.

54. The Office was assured that in each case the selection was fair and equitable, based on a thorough and rigorous review of the proposals. However, in the absence of substantiating documents, it is not possible to support these statements.

55. Since the outsourced services often represent a significant allocation of financial resources, the Office believes that both procurement services and the programme managers have an obligation to ensure that, to the extent possible, the contract process is flawless in both planning and execution. To not achieve this result can have far-reaching consequences for the Organization. To promote improvement of the outsourcing effort the Office offers the following suggestions:

3. Expanded advertising efforts

56. Advertising solicitations to as wide an audience as possible should provide assurance of maximum competition from qualified service providers, resulting in better prices and/or terms and conditions. The current practice of sending the proposals to a shortlist of vendors without advertising limits competition and precludes potential vendors from submitting bids. Although certain programme managers interviewed expressed concern that they would be overwhelmed with responses, the Office does not share this concern, for the simple reason that few contractors possess large-scale operations sufficient to meet the needs of an organization as large as the United Nations. Based on vendor expressions of interest, Requests for Proposals could then be sent to qualified vendors. In addition, the Organization should continue its efforts to solicit suggestions from Member States in order to build a credible, qualified vendor database.

57. For example, the previous cleaning contracts at Headquarters required a minimum of 145 on-site staff at any given time. Most contractors are not equipped to handle that volume. However, having made that observation, the Office does believe that more than one contractor in the New York metropolitan region is capable of bidding on this contract. Yet the same vendor has been awarded the contract for over 40 years. It is contrary to sound procurement policy to maintain such a long-term sole source relationship, unless the

contractor is either providing expertise that does not exist elsewhere or there is a "partnering" approach whereby the contractor provides special pre-negotiated concessions in return for an exclusive contract. The Office did not find either of the above-described conditions to be true in the case of the United Nations cleaning contract. Expanded advertising efforts could promote competition in areas that have consistently awarded the contract to the same vendor, e.g., cleaning services, elevator operations, garage administration, United Nations Bookshop and Headquarters Gift Shop, as well as conference and coat services.

4. Use of the Internet as a marketing tool

58. The Office encourages the Organization seriously to consider advertising bid opportunities on the Internet. The United Nations can utilize its Web page to notify potential vendors of upcoming contract solicitations. The Office believes the benefits of this medium far outweigh any negatives and that it merits implementation on a trial basis. The Internet-based advertising process would enable non-local vendors to bid, which could promote competition, resulting in reduced costs and improved quality of responses. The dollar value of the contract would determine whether it is in a non-local vendor's interest to provide services to the duty station concerned. If the response is indeed overwhelming, this option can be re-evaluated and fine-tuned to include only contracts valued at a minimum dollar threshold.

5. Development of Request for Proposal evaluation criteria and process

59. To standardize and improve the evaluation process, the Office recommends a number of actions. First, the Procurement and Transportation Division should incorporate evaluation criteria into the Request for Proposals. This is an important control measure which ensures the integrity of the process by preventing technical evaluators from changing the criteria in the middle of the selection process in order to benefit a "preferred" vendor/proposal.

6. Standardization of the evaluation process

60. We additionally suggest that the Procurement and Transportation Division develop guidelines outlining how the evaluation process should be conducted, whether through discussions, interviews, completion of rating sheets or a combination of all three. Finally, regardless of the evaluation method used, the results of the proposal evaluation and subsequent vendor selection must be documented and the documentation retained in the contract file.

7. Need for negotiations to be performed exclusively by the Procurement and Transportation Division

61. We found that a number of programme managers were negotiating contract amendments with the vendors. This practice weakens internal controls.

> Recommendation 10. Since only the procurement services have the function of negotiating contracts on behalf of the United Nations, the Office recommends that the users (i.e., programme managers) of outsourced services discontinue their current practice of negotiating contract amendments regarding cost elements and other terms and conditions. (AM96/224/009)

8. Considering the use of professional negotiation expertise

62. For large-value contracts which require specialized technical expertise, the Procurement and Transportation Division could examine the possibility of using outside expertise to negotiate with the selected vendor. Professional negotiators are often able to reduce the contract price by a few percentage points. Since their fee is a percentage of the decreased amount, the cost for this service will be more than offset by the benefits/savings achieved. Similarly, for services which have not previously been contracted out, an independent assessment of requirements by a consultant possessing expertise in the particular service area could substantially improve the bid document.

63. In its response, the Procurement and Transportation Division expressed concern that the use of a third party to conduct commercial negotiations on the Organization's part would create a confidentiality risk situation. In the absence of specifics it is difficult for the auditors to comment on the plausibility of this concern. Suffice it to say that the Office believes the idea merits further consideration, taking into account United Nations rules of confidentiality.

F. Ensuring contract monitoring

1. Introducing the concept of contract management

64. If outsourcing continues to be considered a viable cost-reduction strategy, the Organization must place much greater emphasis on contract monitoring. Often, the rationale for outsourcing - reduced costs - is offset by the reality of the contracting process. In other words, if proper care is not taken to ensure that bid prices do not exceed original estimates, change orders and amendments do not exceed budgets and anticipated revenues are not "lost" to poorly designed contractual arrangements, the outsourcing effort will result in greater expense to the Organization than in-house staff services incurred.

65. In the cases the Office reviewed, the single, glaring deficiency was the tendency on the part of the programme managers to rely heavily on the vendors to provide information regarding: level of effort required by the contract, quality and units of service provided, preparation of billing and invoicing. The Office acknowledges the fact that often the vendors have specialized

expertise. They should determine optimal resource allocation and submit documentation to substantiate invoices.

66. However, the Office was concerned by the lack of independent verification by the United Nations programme managers. Audits disclosed a number of cases which could have been prevented with proper contract management and evaluation. These included: non-compliance with contractual arrangements, overtime payment, overpayment, erroneous financial reporting, frequent contract amendments and increased prices and salaries. Surprise inspections of cleaning personnel, which would have confirmed the reliability of attendance data provided by the cleaning contractor's supervisors, were rarely conducted, if at all. Telecommunications staff could not provide us with their own inventory charts for equipment.

Recommendation 11. The Office recommends that the Organization address the issue of contract monitoring and provide more guidance to programme managers on contract management techniques before expanding its outsourcing efforts. (AM96/224/010)

2. Conduct of formal vendor evaluations

67. The Office's audit disclosed that, for the majority of outsourcing contracts reviewed, programme managers did not formally evaluate the vendors' performance. Contractors who do not perform well should be formally evaluated and the evaluation maintained in procurement services for reference in future decision-making. Conversely, evaluations for vendors who met or exceeded contract terms should be made available for consideration in future contract opportunities. Without such a database and sharing of information, vendors will continue to be awarded contracts with the Organization irrespective of their performance and will also not receive recognition for their achievements.

Recommendation 12. The Office recommends that the Organization establish measures to ensure that programme managers formally evaluate vendors upon completion of provision of service. (AM96/224/011)

G. Identifying new outsourcing opportunities

68. Given that outsourcing entails replacing the United Nations staff as service providers by outside contractors, either institutional or individual, it could inevitably have a negative impact on staff's prospects for employment and career development. Programme managers are responsible for managing their human resources, on the one hand, and for reducing costs and increasing efficiency, on the other. While outsourcing could result in bringing new technical expertise which could not be found in-house, managers could be placed in a difficult position in addressing outsourcing decisions.

69. The Office's audits have identified certain services as candidates for outsourcing, for example, the United Nations Postal Administration's marketing and sales, as well as the bookshop operations. Implementation of such outsourcing options would require further review as to how and which functions

should be outsourced. As pointed out in paragraphs 11 and 12, more formal procedures would be needed to ensure effective outsourcing practices at the United Nations. A focal point could play a key role in this regard.

70. During the Office's audits, several managers pointed out that more outside expertise should be sought in performing core functions. Especially in areas where specialized knowledge is required, such an approach could give programme managers more flexibility than the use of in-house expertise. In view of expected benefits, some of the managers showed an interest in using part of the resources currently budgeted for regular posts for engaging the services of consultants on an as-needed basis, even if this implied an overall reduction of their resources. Since its audits focused on non-core functions, the Office did not explore the possibility of expanding the use of outside expertise for core functions. The Office suggests, however, that the Organization, in identifying future opportunities for outsourcing, should extend its review beyond non-core and support services to established core functions and activities.

> Recommendation 13. The Office recommends the establishment of a focal point within the Department of Administration and Management who would be responsible for identifying potential areas for outsourcing, providing methodological support for cost/benefit analyses, developing criteria and initiating "market testing" of selected activities to determine whether they should be performed by outside providers. (AM96/224/012)

71. At this time of post reduction and budget downsizing, the Organization is obliged to seek different strategies to achieve efficiency and effectiveness. Outsourcing could be one strategy to provide programme managers, not only with improved operational efficiency and cost reductions, but also with new expertise and working methods. These opportunities should also be seized to grant programme managers some flexibility to supplement their personnel resources and expertise. Apart from this, outsourcing would also allow the departments and offices of the Organization to concentrate on substantive activities and better perform their core functions rather than being deeply involved in the provision of support services which are available elsewhere.

72. In conclusion, the Office wishes to emphasize that even if its recommendations are adopted and incorporated in a new outsourcing process, proof of the success of outsourcing will be obtained only through vigilant monitoring/evaluation of each outsourcing exercise. As with every other operational initiative, its success depends on the willingness of programme managers to perform in accordance with policy guidelines.

APPENDIX

List of outsourced contracts and services reviewed

Services provided	User departments/ offices	Types of contracts/ arrangements	Period reviewed	Amount of contract for the period covered	Remarks
Cleaning services	BMS, OCSS, Headquarters	Service contract (cost-plus)	March 1990-June 1996	$41 474 700	• Initially, the contract was until January 1992, but was kept amended for extension. • The same vendor had business with the Organization over 40 years.
	UNHCR	Service contract	May 1995-April 1996	$465 000	
	UNON	Service contract	April 1994-June 1996	$250 000	
	UNPF (Zagreb and Pleso)	Service contract (lump sum/fixed price)	April-June 1996	$57 584	
Catering services	CAS, OCSS, Headquarters	Service contract (profit and loss contract)	March 1986-February 1992; March 1991-March 1996 (Contract reviewed without bidding)		• Total gross sales of this period was $88 million. • Overhead to be charged to the United Nations (5% of the charge: facilities, equipment and utilities).

/...

Services provided	User departments/ offices	Types of contracts/ arrangements	Period reviewed	Amount of contract for the period covered	Remarks
Catering services (continued)	UNOG	Service contract (50/50 profit distribution; and 3.5% of sales revenues or management fee)	January 1992-December 1996 (The same vendor since 1976; bidding took place in 1991)	-	• Annual average sales SwF 8.2 million ($6.87 million). • The vendor pays a fixed fee for the use of the installation, equipment and salary of liaison officer. • For the use of electricity, water and 50% of materials, the vendor reimburses UNOG.
	ITC	Service contract (profit distribution, 2%)	January 1991-December 1997 (since 1976; renewed in 1986, 1988, 1990 and 1992 without rebidding)	-	• Annual average sales SwF 450,000 (= $375,000). • Since 1989, ITC covers the expenses for facilities, materials, rent and utilities, since no profit has been made.
	UNPF (Zagreb and Pleso)	Service contract (lump sum)	September 1995-January 1996	$1 259 366	• This only concerns the provision of services.
EDP-related services (a) Installation and support of office automation equipment, software, network components and computer operations; (b) Maintenance of data-processing equipment; (c) Maintenance of office automation equipment	ESD, OCSS, Headquarters UNOV	Service contract (cost plus) Service contract	July 1990-May 1996 (b) January 1996-January 1997 (c) July 1996-June 1997	Over $7.8 million (July 1993-May 1996) (b) $40 738.56 (c) $171 325	• Since January 1996 under SSAs.

Services provided	User departments/ offices	Types of contracts/ arrangements	Period reviewed	Amount of contract for the period covered	Remarks
<u>Telecommunication</u>					
(a) Telephone maintenance;	(a) ESD, OCSS, Headquarters	Service contract	December 1991-December 1992	$3.5 million	
(b) Back-up, realink and moral and welfare communications	(b) UNMIH	Service contract	March 1995-March 1996	$1 per minute	
<u>Logistical and support service</u>					
(a) Fuel and water distribution, camp and equipment maintenance;	(a) UNMIH	Service contract	August 1995-August 1996	6.9 million	
(b) Laundry and ground transportation;	(b) UNMIH	Service contract	August 1995-August 1996	6.1 million	
(c) Logistical and support service;	(c) UNAVEM III	Service contract	February 1995-February 1996	$17 670 785	
(d) Staff transportation	(d) UNON	Service contract	April 1993-June 1996	$1 200 000	
<u>Contractual translation</u>	OCSS, Headquarters	SSAs (C/S); SSAs (A/E/F/S)	January 1995-December 1996	-	
	UNOV	Service contracts (C/S/R); SSAs (A/E/F)	January-December 1996	Annual average $150 000	
<u>Printing</u>	UNOG	Service contract	95 - 1st quarter, 1996	-	• Proposed programme budget for the Printing Section: $1 614 400.
<u>External publications</u>	UNHCR	Service contract	August 1994-February 1995; August 1995-May 1996	$191 125; $120 214	
<u>Storage/distribution of publications</u>	UNON	Service contract	January 1984-June 1996	$1 100 000	
<u>Garage administration</u>	BMS, OCSS, Headquarters	Purchase order	June 1994-February 1995; March 1995-February 1996	$63 424.00 $66 481.92	• Partial outsourcing. • Provision of parking lot administrators.